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National Home Center News®

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Industry stocks plummet in panic

Some rebound toward end of hectic week

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — When John Lacey came home Oct. 19, his wife met him at the door.

"I don't know what star you live under," she told the executive vice president of Molson Cos., which owns Toronto-based Beaver Lumber, "but it sure is lucky."

Just three weeks before, Lacey had liquidated most of his stock to finance the purchase of a new home. Misery Monday—with its 508-point Dow Jones Industrial Average drop to 1,738.4—didn't affect him.

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Largest Industry Losers on Misery Monday

Company	Closing Price Monday Oct. 19	Price Change ($)	% Drop in Market Value
Zayre	15⅝	−9⅛	−36.8%
Standard Brands Paint	17½	−6	−25.5
K mart	25½	−8½	−25.0
Home Depot	15½	−4½	−22.5
Payless Cashways	12⅝	−3⅜	−21.1
Grossman's	5⅞	−1½	−20.3
Strober Organization	9¼	−2¼	−19.6
Natl. Hardgoods Dist.	5½	−1	−15.4
Lowe's	19¼	−3¼	−14.4
Scotty's	12	−1⅞	−13.5
Pay 'N Pak	16⅛	−2⅜	−12.8
Wickes Cos.	12½	−1⅝	−11.5
Wolohan	11½	−1¼	− 9.8
General Bldg. Prod.	7½	− ¾	− 9.1
Hechinger A	17	−1¼	− 6.8
National Lumber	4½	− ¼	− 5.3

Source: New York Times. NHCN chart.

By Thursday's market close, the stocks of 10 of the 16 companies listed were trading at prices lower than on Misery Monday.

Insurers push 'boom rooms' for flammables

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — There's no more explosive a topic than the storage of hazardous materials. Ask Charles Goodman, president of San Francisco's Goodman Home Centers:

Two years ago, an insurance underwriter walked through his company's 100,000-square-foot warehouse and saw pallets of spray paint. Then, Goodman recalls, the underwriter told him:

"Your insurance is cancelled at 5 p.m. today."

Ever since a fire razed K mart's 1.2 million-square-foot distribution center in Falls Township, Pa., and caused $100 million in damages five years ago, insurance companies have increased their surveillance of the warehousing of flammable products that are key to the home improvement industry: aerosol paints, propane tanks, certain solvents and even palletized cardboard boxes.

Goodman's solved its storage problem by installing two 40-foot steel cargo containers costing $2,000 each. It then dumped its insurance carrier.

But wholesalers and retailers in all parts of the country are taking pre-emptive measures to safeguard warehouses before insurance com-

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Conn. lowers minimum age for employment

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — From southernmost Greenwich to northernmost Enfield, "help wanted" signs peer permanently from the windows of Connecticut retailers.

Facing an ever-dwindling labor pool, with no relief from the state's minuscule 3.2 unemployment rate in sight, Connecticut legislators in early October amended the child labor law to allow 15-year-olds to work in retail businesses. At the same time, they raised the minimum wage to $3.75 an hour.

But for many the liberalized law isn't likely to help. It keeps 15-year-olds out of factories, so it doesn't impact companies like Stanley Works and Emhart, each with headquarters in Connecticut.

It still limits the number of hours 15-year-olds can work. It also limits the types of jobs they can do, most notably barring them from restaurant employment.

And retailers say there are other problems with hiring 15-year-olds.

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New Calif. EPA law forces reformulation of paint and stains

By Brad Altman
NHCN staff editor

LOS ANGELES — Paint and stain manufacturers are reformulating products to comply with new rules which mandate lower levels of solvents in certain oil-base coatings in California's most populated counties.

Jeff Fantozzi, supervisor of technical services for the California Redwood Association, said air quality regulations for

(Continued on page 62)

Channel opens DC, remodels Houston units

By Brad Altman
NHCN staff editor

HOUSTON — Forecasting an easing of the oil-related recession here, the new management team at Handy Dan, in September, completed a $1 million remodeling of nine of 19 Houston-area Handy Dan stores and opened a 400,000-square-foot distribution center and offices.

Bernard Eisenberg, senior vp-operations for Handy Dan parent Channel Home Centers based in Whippany, N.J., said Houston is "demographically well populated, and the needs of the homes have to be serviced."

Eisenberg was one of seven Channel directors who participated in a senior-management-led leveraged buyout late last year from W. R. Grace. Channel has 179 stores in 16 states with an annualized volume of about $750 million.

The 9,000-employee company is divided into two divisions: a Northern U.S. region where 110 Channel units operate, and a Southern 69-store Handy Dan division that includes Handy City, House Works! and Handy Dan.

As part of its renewed commitment to this economically depressed area in Texas, Handy Dan has designed a prototype store for Houston—a 50,000-square-foot outlet on Beechnut near Highway 6 that company officials say is modeled after Channel outlets of the same size and configuration.

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A forklift driver moves a stack of lumber in Channel Home Center's new 400,000-square-foot distribution center in Houston. The company has also renovated nine area stores. NHCN photo

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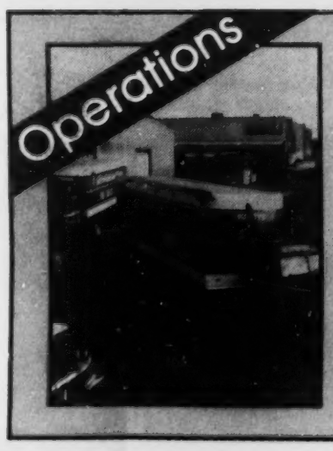
Price wars greet debut of Paint Factory in Calif. 29



Home center chains cope with woes of owning truck fleets 44

Electronic aids help track truck fleets 44

NEWSBREAKS

WICKES LUMBER TO BE SOLD: The 225-unit, Vernon Hills, Ill., chain, is on the block along with two other Wickes Cos. divisions, Kayser-Roth Apparel and Hosiery. The three units had aggregate sales of $1.8 billion and operating income of $80 million last year. Their combined book value is estimated at $600 million, though Wickes expects "substantially more" from their sale. Wickes Lumber vp Les Hagen did not dismiss the possibility of a management buyout of the chain.

INDUSTRY UPDATE

Forest City president resigns

CLEVELAND — Ed Seymour has resigned as president of the Forest City chain here, a move that appears to be the final chapter of that chain's acquisition by Handy Andy Home Improvement Centers.

Seymour, 53, told an *NHCN* reporter that he was leaving Forest City to develop a new chain on the East Coast. (Seymour's secretary noted that he planned to move back to Pittsburgh within a year, although this could not be confirmed.)

Saying he parted from Forest City's parent company Handy Andy on the best of terms, Seymour said he was in the Northeast seeking real estate for the new venture. The 18-unit Forest City chain was acquired in April by Schaumberg, Ill.-based Handy Andy, the 45-plus unit home improvement chain with operations in Illinois, Indiana and Wisconsin.

"This new business is not home center related," said Seymour, who left Forest City Oct. 12. "If this is successful, I'll stay with it. If not, I'll be back knocking on doors." Seymour would only describe his new calling as "starting a new [retail] business in a new community for an existing company."

Seymour became president of Forest City in 1980, and initially planned to expand the chain rapidly. But market and economic conditions dictated against that, and the chain eventually decided to close its four units in Chicago and concentrate on operating its stores in Cleveland; Akron, Ohio; and Detroit.

Prior to joining Forest City, Seymour was president of Kelley and Cohen, a speciality TV and appliance chain.

Seymour's replacement was unknown but it is believed that Handy Andy will appoint general managers for its three Forest City markets.

Zayre takeover bid investigated

FRAMINGHAM, Mass. — The Chicago Board Options Exchange has initiated an investigation into trading of Zayre options that occurred in mid-September just before investor Edward J. DeBartolo Jr., announced his accumulation of Zayre stock. Jay Meltzer, general counsel for Zayre, said that the company had no comment on the investigation because it did not concern Zayre directly.

In mid-October, Meltzer said there had been no additional contact from DeBartolo concerning the accumulation of stock and possible takeover attempt by the Youngstown, Ohio-based investor. DeBartolo, whose family owns the largest shopping mall development business in the country, had informed Zayre Oct. 2 that he might try to gain a majority stake in the company.

Hechinger to open 1st in Conn.

LANDOVER, Md. — Hechinger Co. will open its first New England store in Hartford, Conn., in January, according to Sally Courtney, senior vp-general merchandise.

The Connecticut market is just one of six markets that Hechinger hopes to penetrate over the next two years as it accelerates its expansion plans. Other new markets are Rhode Island, Delaware, West Virginia, Tennessee and Long Island, the stretch of land just east of New York City.

The Huntington store in Long Island is one of seven store openings announced for 1988, although more could be planned. It will open two new stores in metropolitan Washington, as well as single units in Harrisonburg, Va., Centreville, Va., and Dublin, Ohio.

These will all follow the 60,000 square-foot prototype and some will feature 30,000-square-foot outdoor garden centers, where the land is available and market size is amenable. The $588 million Hechinger currently operates 69 stores.

Westlake buys Euston's unit

LENEXA, Kan. — The voracious Westlake Hardware has made another acquisition, when it recently purchased a 20,000-square-foot store from the five-unit Euston's Hardware chain in Kansas City, Mo.

The acquisition was for an undisclosed sum and brings to three the number of new purchases Westlake has made this year, including a number of Handy Dan units as well as 21 Lindsley Home Care Centers in Miami. Westlake is using its newly formed Lone Star Hardware division in San Antonio, Texas, as its expansion arm.

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Retail warehouse executives form new wholesaling venture

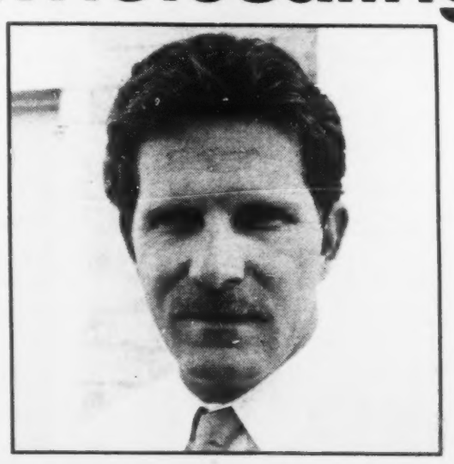
By Phillip M. Perry
NHCN staff editor

DANIA, Fla. — Several executives associated with the home center industry are involved in a new company formed to become a multiproduct source for the home decoration, home improvement and builders' supplies industries.

Builders Design, which raised $5.4 million in a public offering this summer, reported revenues of $10.1 million and earnings of $332,165 for the year ended Feb. 28.

The company plans to form a division for the distribution of a variety of products to home centers, although a time frame for this division has not been set.

Already, the company has begun an experimental program to sell custom window blinds through home centers. The test is being conducted at Babcock Building Supply, a chain of eight retail outlets based in Melbourne, Fla.



Robert McNulty, chairman of Builders Design. NHCN photo

The test display involves vertical blinds, miniblinds and pleated shades.

Robert J. McNulty, former president of HomeClub, is chairman of the new firm. He holds 160,467 shares of its common stock, or 2.4 percent of its outstanding shares. McNulty also is chairman of All American Sports Club, a chain of sporting goods stores.

Michael R. Morton, senior vp-development at Builders Square, a K mart subsidiary, is treasurer and a director of the company. He owns 93,800 shares, or 1.4 percent of the outstanding common stock.

Frank W. Denny, chairman of Builders Square, is an investor in Builders Design. He holds 171,667 shares of its

(Continued on page 64)

Disston purchase by giant U.K. toolmaker collapses

By an NHCN staff editor

GREENSBORO, N.C. — A deal that would have placed ownership of The Disston Co. here in the hands of Britain's largest toolmaker collapsed on Oct. 22.

The stock deal of the $50 million Disston, a 144-year-old hand tool supplier, was to have been completed on Oct. 23 by James Neill Holdings PLC, a $150 million tool supplier based in Sheffield, England, with subsidiaries in the U.S., Canada, Australia, New Zealand and South Africa.

The Disston deal would have boosted Neill Holdings consumer sales to 40 percent of its total volume from 25 percent.

Details about why the acquisition collapsed were spotty. Chris Harrison, Neill Holdings' group finance director, told *NHCN* in a telephone interview that his company was "bound by confidentiality" not to describe in detail why the deal fell through.

He did note, though, that the Disston acquisition "was always conditional on the approval of our shareholders and on certain conditions being met [by Disston]. One of those conditions was not met."

Harrison confirmed that his company had no plans to conduct any further negotiations with Disston. He declined to elaborate on whether the unmet condition had anything to do with the remuneration package set up for Disston's president and owner Henry G. Libby, who had successfully turned around a flagging com-

(Continued on page 64)

Joe Butler Jr. dismissed as executive vp by LAT

By an NHCN staff editor

AUSTIN, Texas — Joe Butler Jr., the executive vp of the Lumbermen's Association of Texas (LAT), was fired by the group's board of directors during a meeting in Dallas Sept. 26.

In a terse, four-sentence statement in its monthly newsletter, the LAT provided no explanation for Butler's sudden and unexpected dismissal. The group's news bulletin reported that Butler was "no longer performing the services of [an] LAT executive vp" and would be temporarily replaced by Barbara Douglas as acting executive vp.

Douglas formerly ran the LAT's convention and exposition activities, the same job Butler held before he assumed the executive vp role from his father in April 1986. Butler's father retired after a 20-year career with the group.

Joe Butler Jr., former executive vp of the LAT. NHCN photo

(Continued on page 63)

Suppliers optimistic at Nat'l Hardware Convention

By an NHCN staff editor

TORONTO — Wholesalers and manufacturers attending the National Hardware Convention here said they expected a strong financial finish for the year, and that prospects are bright for 1988.

Attendees were even optimistic in the face of the stock market's 508-point crash Oct. 19.

"I don't think [the crash is] going to affect the consumer if the market rebounds," said a representative for McCulloch Corp. at the show, who asked not to be identified. He said the family-owned company will show double-digit income growth when it posts its end-of-year financial figures. The company does not release those figures publicly.

Nolan Archibald, chairman of Maryland-based Black & Decker Corp., said he is "very pleased" with the company's latest financial figures, which will be released within 30 days.

Other manufacturers and wholesalers pointed to the most recent 4.4 percent increase in housing starts as evidence of a strong economy.

Manufacturers also predicted minimal price hikes for 1988. "We're still selling off of our 1984 price list and are guaranteeing prices through 1988," said Robert Cannon, vp-sales for Channellock, the Meadville, Pa.,

(Continued on page 64)

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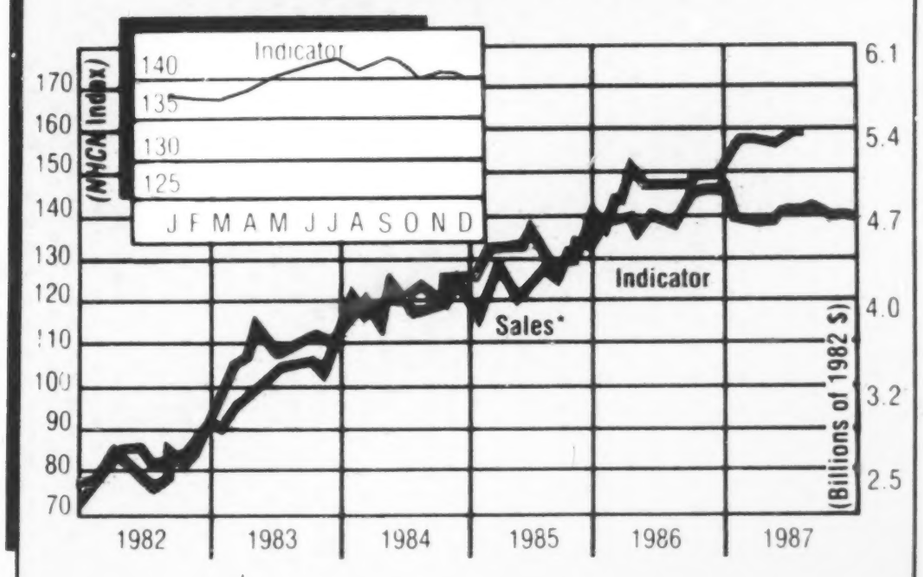
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales are declining in recent months and point to a slowdown in sales in the months ahead.

S. Atlantic states facing slower than predicted growth in 1988

By Richard E. Mount
Special to NHCN

Building material retail sales are expected to increase 9 percent in the South Atlantic states in 1987. Adjusted for price increases, the regional gain will be only 5 percent, slower than the 7 percent national average.

Building material sales accelerated in early 1986, rising 30 percent on a year-to-year basis. But by the second half of 1986, sales began to soften rapidly, and by early 1987 were running 10 percent behind the 1986 pace.

Building material sales in the South Atlantic began to recover in early 1987, and I expect sales to continue to strengthen in the second half of 1987 and into 1988. But, because of the regional weakness that has already taken place in the first half, sales for the year will trail the national gain.

Richard E. Mount

Resales accelerated nationally in the second half of 1986 as owners of second homes and investment properties sold to take advantage of the more favorable capital gains rates for the appreciation on their properties.

In the first quarter of 1987 resales declined, pressuring building material sales in the first half. Because of the concentration of second and investment homes in the South Atlantic states, this region felt the impact of the new tax law more than others.

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1988 QI	1988 QII	1985	1986	1987	1988
***NHCN* Leading Sales Indicator** (February 1980 = 100)		139.1	138.6	140.2	141.9	140.4	141.1	142.3	118.5	130.4	140.3	142.9
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	64,584	69,660	68,780	72,672	74,560	76,091	77,303	55,695	65,529	71,418	77,927
	New England	3,488	3,672	3,913	3,830	3,907	3,980	4,035	2,597	3,301	3,830	4,064
	Middle Atlantic	8,274	8,600	9,279	9,280	9,484	9,664	9,802	6,427	7,899	9,161	9,873
	East North Central	11,627	11,515	12,784	12,928	13,279	13,567	13,779	10,081	11,126	12,627	13,918
	West North Central	4,610	4,626	5,195	5,036	5,152	5,258	5,342	4,114	4,393	5,002	5,385
	South Atlantic	12,405	13,964	12,947	14,622	15,016	15,317	15,553	11,135	12,980	14,137	15,675
	East South Central	3,549	4,120	3,959	4,208	4,339	4,451	4,538	3,104	3,683	4,157	4,590
	West South Central	7,052	8,109	7,470	7,856	8,060	8,225	8,372	7,320	7,523	7,874	8,454
	Mountain	3,508	3,797	3,474	3,888	4,004	4,086	4,151	2,956	3,457	3,791	4,189
	Pacific	10,071	11,257	9,956	11,024	11,318	11,543	11,711	7,827	9,550	10,889	11,780
Constant	**Millions $1982 SAAR Total United States**	60,242	64,420	63,411	65,750	66,200	66,300	66,100	52,663	60,490	64,945	66,000
	New England	3,254	3,396	3,608	3,465	3,469	3,467	3,450	2,463	3,125	3,484	3,442
	Middle Atlantic	7,718	7,953	8,555	8,396	8,421	8,420	8,381	6,096	7,476	8,331	8,362
	East North Central	10,845	10,649	11,786	11,697	11,790	11,821	11,799	9,564	10,534	11,481	11,788
	West North Central	4,300	4,278	4,789	4,556	4,574	4,581	4,568	3,903	4,158	4,550	4,561
	South Atlantic	11,571	12,914	11,936	13,229	13,333	13,346	13,299	10,562	12,286	12,853	13,276
	East South Central	3,310	3,810	3,650	3,807	3,853	3,879	3,880	2,944	3,487	3,780	3,887
	West South Central	6,578	7,499	6,887	7,108	7,156	7,167	7,159	6,944	7,120	7,162	7,159
	Mountain	3,272	3,511	3,203	3,518	3,555	3,560	3,550	2,804	3,271	3,447	3,547
	Pacific	9,394	10,410	9,179	9,974	10,049	10,058	10,014	7,425	9,034	9,903	9,978
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.29	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.40	5.27	5.69	5.27	5.24	5.23	5.22	4.68	5.17	5.36	5.22
	Middle Atlantic	12.81	12.35	13.49	12.77	12.72	12.70	12.68	11.58	12.36	12.83	12.67
	East North Central	18.00	16.53	18.59	17.79	17.81	17.83	17.85	18.16	17.41	17.68	17.86
	West North Central	7.14	6.64	7.55	6.93	6.91	6.91	6.91	7.41	6.87	7.01	6.91
	South Atlantic	19.21	20.05	18.82	20.12	20.14	20.13	20.12	20.06	20.31	19.79	20.12
	East South Central	5.50	5.91	5.76	5.79	5.82	5.85	5.87	5.59	5.76	5.82	5.89
	West South Central	10.92	11.64	10.86	10.81	10.81	10.81	10.83	13.19	11.77	11.03	10.85
	Mountain	5.43	5.45	5.05	5.35	5.37	5.37	5.37	5.32	5.41	5.31	5.37
	Pacific	15.59	16.16	14.48	15.17	15.18	15.17	15.15	14.10	14.94	15.25	15.12
Industrial Production												
Index (1977 = 100)	Brick	96.3	98.1	97.1	99.3	96.3	95.4	94.3	88.5	92.9	97.7	93.6
	Cement	108.0	117.9	111.1	107.2	105.7	103.5	101.9	105.7	109.3	110.5	101.4
	Gypsum Wallboard	134.5	134.6	134.2	133.1	132.1	131.2	130.4	126.4	133.3	133.5	129.7
	Hardware	102.2	102.9	103.8	105.2	103.9	102.9	101.5	100.9	102.1	104.0	101.1
	Lumber Products	135.9	139.8	143.7	138.2	131.6	127.5	125.4	122.9	133.3	138.3	124.4
	Paint	96.4	100.0	97.3	103.4	102.2	101.6	101.1	101.9	100.2	100.7	100.9
	Plywood	166.8	175.6	181.0	175.0	162.0	158.6	156.2	138.7	161.8	173.4	155.7

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 15, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

S. Atlantic states face slower growth

(Continued from page 18)

Employment gains in the region continue to rise, however, and resales are rebounding from their first quarter drop, increasing building material demand. Single-unit housing starts will be a negative factor in the outlook, however. Starts in the first half of 1987 trail the pace of a year ago, and the rise in mortgage rates in September and October will depress new housing in the second half.

Resales will not be as hurt by higher mortgage rates as new housing. In the South, the average resale is about 5 percent less than for new homes and buyers will shift more to the resale market to limit monthly mortgage payments.

Local conditions

The South Atlantic states are a diverse region, spreading from West Virginia to Florida. The area has been buffeted by a slowdown in employment in some states and the new tax law that altered the deductions for investment properties and reduced marginal personal tax rates, thereby increasing the after-tax cost of second homes.

Employment gains in the region continue to rise, increasing building material demand.

The strongest states for employment in 1986 and 1987 have been Florida, North Carolina and South Carolina, with gains of 3.5 percent to 5 percent over a year ago. These states enjoy diverse economies, lower wage rates, and continue to attract firms from other parts of the country. All three, however, saw resales falter in early 1987, the result of the new tax law.

Moderate growth of 2 to 3 percent in employment is occurring in Georgia, Maryland and Virginia. Georgia is troubled by inroads in manufacturing products by overseas firms and softness in high tech demand. These industries are improving now. Maryland and Virginia remain strong but are feeling the impact of lower federal government spending.

Delaware and West Virginia have been the weakest in the region. Delaware is beginning to improve now, but West Virginia remains soft because of the slowdown in the energy sector.

Regional outlook for 1988

Building material sales should increase 3 percent in unit volume for the South Atlantic states, stronger than the 2 percent national average. Fears over the tax law are abating, and second or investment home demand will improve.

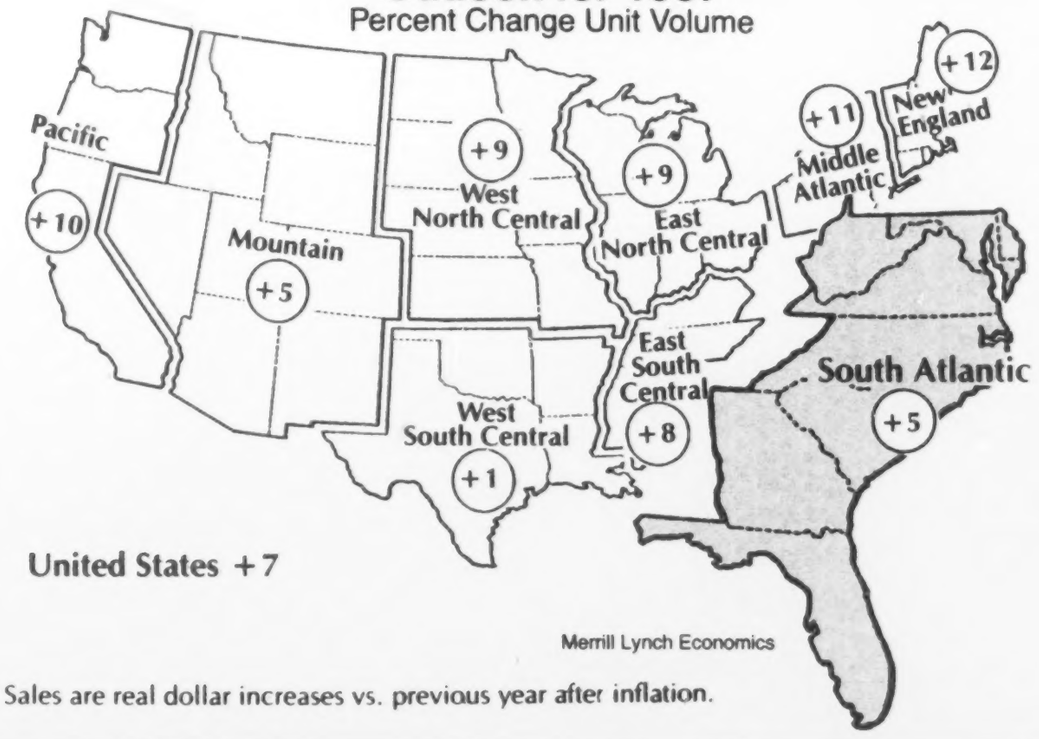
The region is attractive to retirees from the North, and the rise in home prices in the Northeast will increase the demand for retirement homes in Florida and the Carolinas.

The dollar is declining and will make manufacturing in Georgia more competitive in world markets. The decline in the growth rate of government spending is over, stabilizing the weakening in Maryland and Virginia.

Finally, the energy sector is slowly improving and the West Virginia economy will inch up.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



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Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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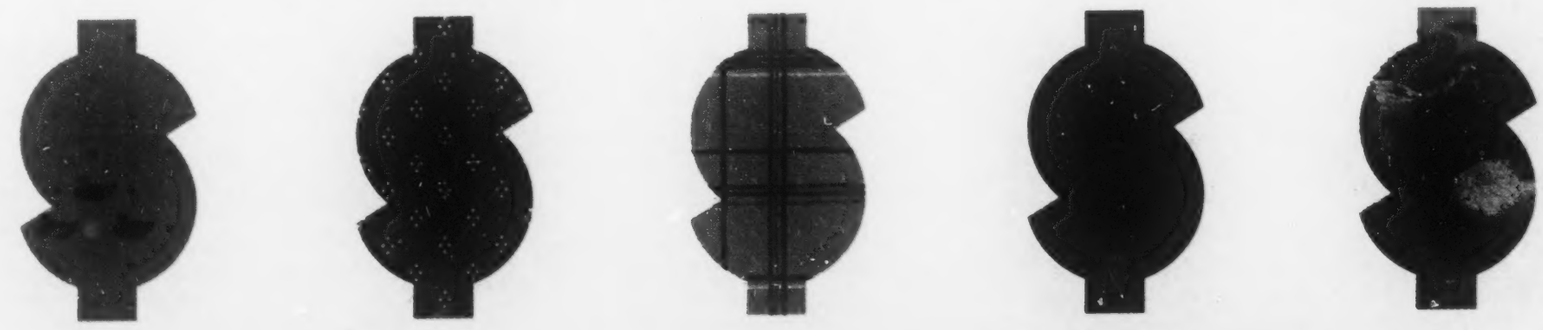

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Nonsplatter rollers broaden sundry market

By an NHCN staff editor

NATIONAL REPORT — A new generation of nonsplattering paint applicators is being developed and marketed by manufacturers, and the result has been a broadening of the high-margin, $1.8 billion paint sundries market for many home centers.

But DIY dealers say there is still a lot of consumer resistance and education is needed before the products become category standards.

"Consumers need to be taught about [nonsplattering rollers]. They need to realize they are available," said Paul Blake, paint buyer at Scotty's, Winter Haven, Fla., which currently is thinking of taking on a line.

The other side of the coin is Builders Emporium, the Irvine, Calif.-based chain, whose assistant buyer Leslie Maddocks said "Wow!" when asked about the rapidly developing innovations in paint sundries.

"The manufacturers are refining, adding extension poles and reducing costs," she said. BE is currently offering the Shur-Line roller and shield, which catches roller spray for virtually splatter-free painting. It also sells Shur-Line's paint pourer, a device that fits on a standard one-gallon paint can and provides a "no-drip" spout for clean and easy pouring or mixing.

The sundries category has been revived by nonsplattering roller products. NHCN photo

The most recent addition to the BE paint sundry line is Wagner Spray Tech's "Handi-Roller," which contains an applicator tube that fills directly from the paint can through a specially designed feed tube. One fill covers a 7 x 16-foot area. BE discounts the product at $19.96.

Mr. Goodbuys, the Philadelphia-based home center chain, has stocked the Wagner Handi-Roller for only four months, according to a buyer who asked not to be identified. He said the product has been promoted once on an endcap and has been allocated space in the retailer's catalog. Consumers, he said, will have to overcome an initial impression that non-splattering applicators are "gimmicky, but eventually we expect them to be standard items in our catalog."

DIY dealers said it was unlikely that splatter-shield products would ever spell the demise of conventional rollers, pads or brushes, which account for the bulk of profitability while paint is virtually being given away in many markets.

Consumers need education

Ed Goldstein, vp of the Minneapolis-based Padco, whose Splatter Shield Roller was the first of its kind when introduced in 1979, has found that consumers still choose the "normal, wire-cage type roller because that's what they used last time." He said, though, that "our sales are growing."

But market expansion for splatter-proof sundries will rest on consumer education provided by dealers and their suppliers, according to BE's Maddocks. "We see that the consumer isn't demanding [the product] and we try to stimulate awareness by advertising it," she said.

With all the new painting accessories being introduced to the market, "Our biggest problem is trying to educate the consumer to exactly what [our product] does," said Dan Bergelmann, a spokesman for Power-Flo Products Corp. in Minneapolis, which distributes nationally its non-splattering "Power Stick."

To address that concern over consumer instruction, the Atlanta-based Home Depot has held free project demonstrations on weekends in its Southern California stores. One seminar, titled "How to use and maintain a Wagner Paint Spray Gun," underscored the emphasis on consumer education in the applicator category.

Bergelmann said Power-Flo was surprised to discover that Paint Stick is popular among consumers as well as professionals. This has led to the development of a "Contractor Stick" containing extra accessories, including a clamp-on lid for a five-gallon paint can, to debut next spring. Though contractors often use rollers that require

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Rodale Study:

Consumers favor specialty stores when buying paint

By an NHCN staff editor

NATIONAL REPORT — Home centers and building supply stores lag far behind paint specialty stores, department stores, discount stores and even hardware stores as places where consumers look to purchase interior and exterior paint.

But according to a nationwide survey of nearly 20,500 people, home centers appear to be drawing the same affluent customer living in a more expensive home shopping paint stores.

The study, conducted for a full year and released in late 1986 by Rodale Press' *Practical Homeowner* magazine, also found that home centers have a stronger following in certain geographic regions—the suburbs, the Middle Atlantic and Pacific states—than other competitors selling paint.

The *Practical Homeowner* study, which is nationally projectable to 172 million households, found that 34,613,000 households, 20.2 percent of the total, purchased interior paint in the previous 12 months of the survey, and 25,328,000, or 14.8 percent, bought exterior paint.

Among interior purchasers, the highest percentage were 35 to 64 years old with annual incomes exceeding $50,000 and suburban homes worth $100,000 or more, where they have lived for between two and four years. Three in 10 lived in the Middle Atlantic states, with another one-quarter living either in New England or the East Central region.

A full half of the exterior paint purchases were made by consumers between 35 and 64, and almost half were from households with incomes between $25,000 and $49,999.

Three in four were married and eight in 10 owned their own homes, valued at between $50,000 and $99,999.

Nearly two-thirds of the exterior paint buyers had resided in their homes for more than five years. Almost two-fifths were suburbanites and about one-fifth lived in Middle Atlantic states.

As the accompanying charts show, home centers are not doing so well against other types of retailers—including paint stores, department stores, discounters and building supply outlets—in attracting consumers, based on responses of where people bought paint last year.

The study, though, also tracked buying by an "activity index," which takes the percentage of households that bought paint within a demographic group and compares that number with the national average.

That index can then be compared with indices for other stores as well as the U.S., which would be 100, to get a relative feel for how active each demographic group is at each store type. For example, the index for paint stores in the 35 to 64 age group was 114.8; 131.8 for discount stores; 98.2 for hardware stores.

Home centers tallied indices of 192.9 and 175.6, respectively, for interior and exterior paint buying activity among households whose income was $50,000 or more, by far the highest totals for any paint retailer, including paint specialists.

Its indices of 183.4 and 172.6, respectively, for interior and exterior paint buying among those with homes worth more than $100,000 were higher than any other paint retailer.

Looked at geographically, home centers had the highest exterior paint buying activity indices among households located in the suburbs (128.4) and in the Middle Atlantic states (a whopping 211.6, compared to 159.9 for department stores, their nearest challenger in this area).

And home centers were the only store group to register an index of 100 or better among households in the Pacific states (118.8), where home centers have greatly expanded .

These relative strengths bode well for home centers taking a bigger chunk of the paint market in the future, but the survey also showed home centers manifest definite weaknesses against other retailers with different groups.

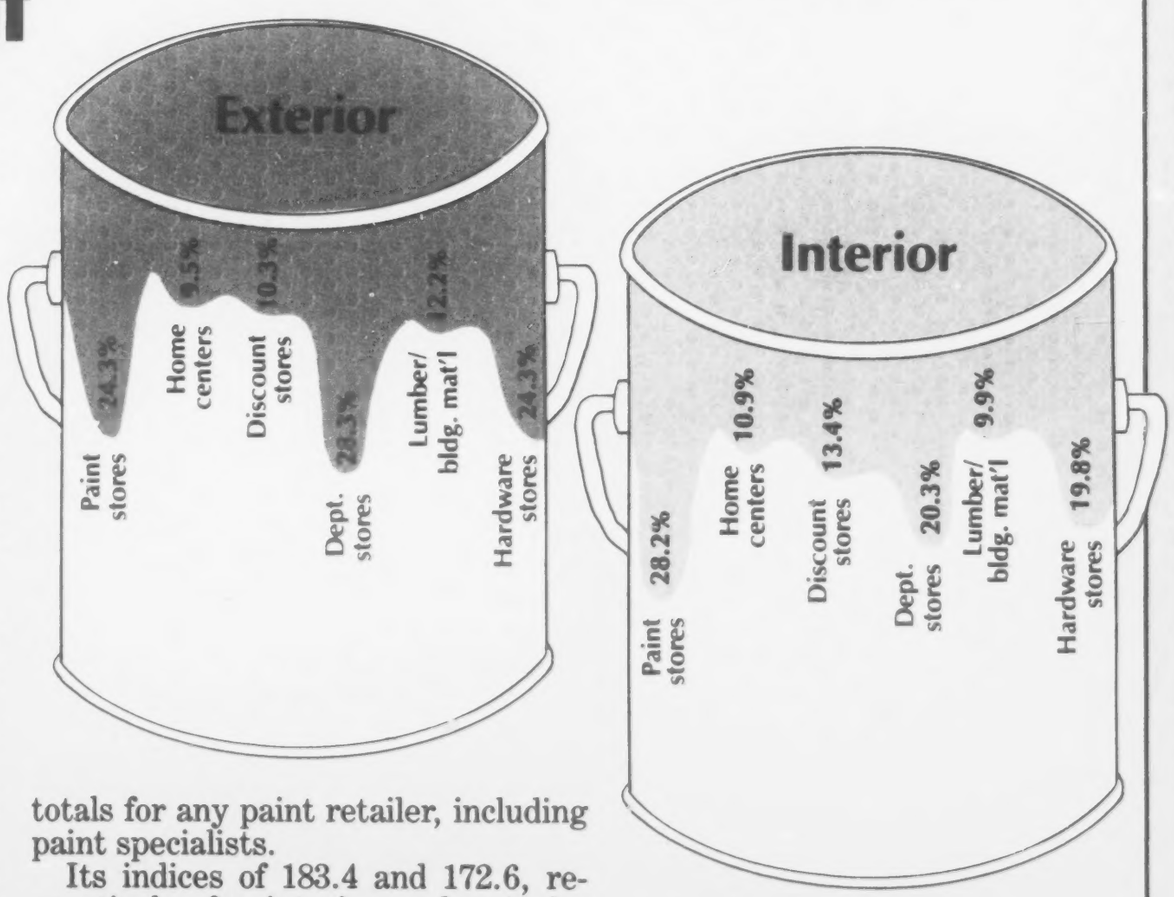
For instance, building material outlets were the only retailers selling interior paint to have a strong showing with all home value groups, registering an activity index of 120.4 for those whose homes are worth $50,000 or less; 139.3 among those in the $50,000-$99,999 sector; 107.2 with

(Continued on page 33)

Where Consumers Buy Paint

Chart shows percentage of total households that bought interior and exterior paint by retail store group.

(Numbers exceed 100 percent due to multiple responses.)



Source: Rodale Press' *Practical Homeowner* U.S. profile of DIY Consumers, MRI-Fall, 1986.

NHCN chart.

Perspectives

cover story

Nonsplattering applicators broaden paint sundries market

(Continued from page 30)
a power source to pump paint from the can to the roller, the Power-Flo Paint Stick, Wagner Handi-Roller, Padco Spatter Shield Roller and EZ Paintr's EZ Roller are simpler and less-costly versions that don't require electricity to operate.

Some home center retailers, however, say there is skepticism about the new paint tools not working as well as consumers expect.

One retailer asserted that one automatic roller "works all right, but there are some tricks to it. If you turn it sideways, you could dump paint all over yourself. Some customers will have that sort of negative experience and next time they'll return to the conventional tray, roller and pad."

That argument was countered by David Roberts, merchandise manager for Milwaukee-based EZ Paintr, a division of The Newell Group, who said that its EZ Roller was introduced in the fall of 1984 after research indicated that "consumers want to make the job of painting neater, cleaner and easier."

EZ Roller's system features a built-in paint reservoir that automatically feeds the roller as the paint is applied. "A quarter-gallon of paint will paint a 10x10-foot area," said Roberts. "The painter doesn't have to refill, and this saves time reloading from a pan."

Pricing war greets Paint Factory debut

(Continued from page 29)
provide free in-store consultation. Main products include wallpaper, draperies, flooring, carpeting, tile, window treatments and accessories.

The DIY Center in the middle of the store contains warehouse-style racks. A separate "Contractor's Pro Shop," with lounge, contains bulk-size paints, professional generators, air compressors, pressure washers and sprayers.

Bocola conceded that first-time visitors have said, "This is too much to comprehend in one visit." But they're also positive about the new format. "They say it's awesome."

There are approximately 8,000 stock keeping units in stock and an additional 20,000 skus available through special order. But company officials don't believe they are spreading the concept too thin. There is a conference room for outside interior designers who may want privacy for their clients as they choose products. That contrasts with a 300-gallon bulk paint tank for pros.

Consumers favor specialty stores when buying paint

(Continued from page 30)
the $100,000 and above set.

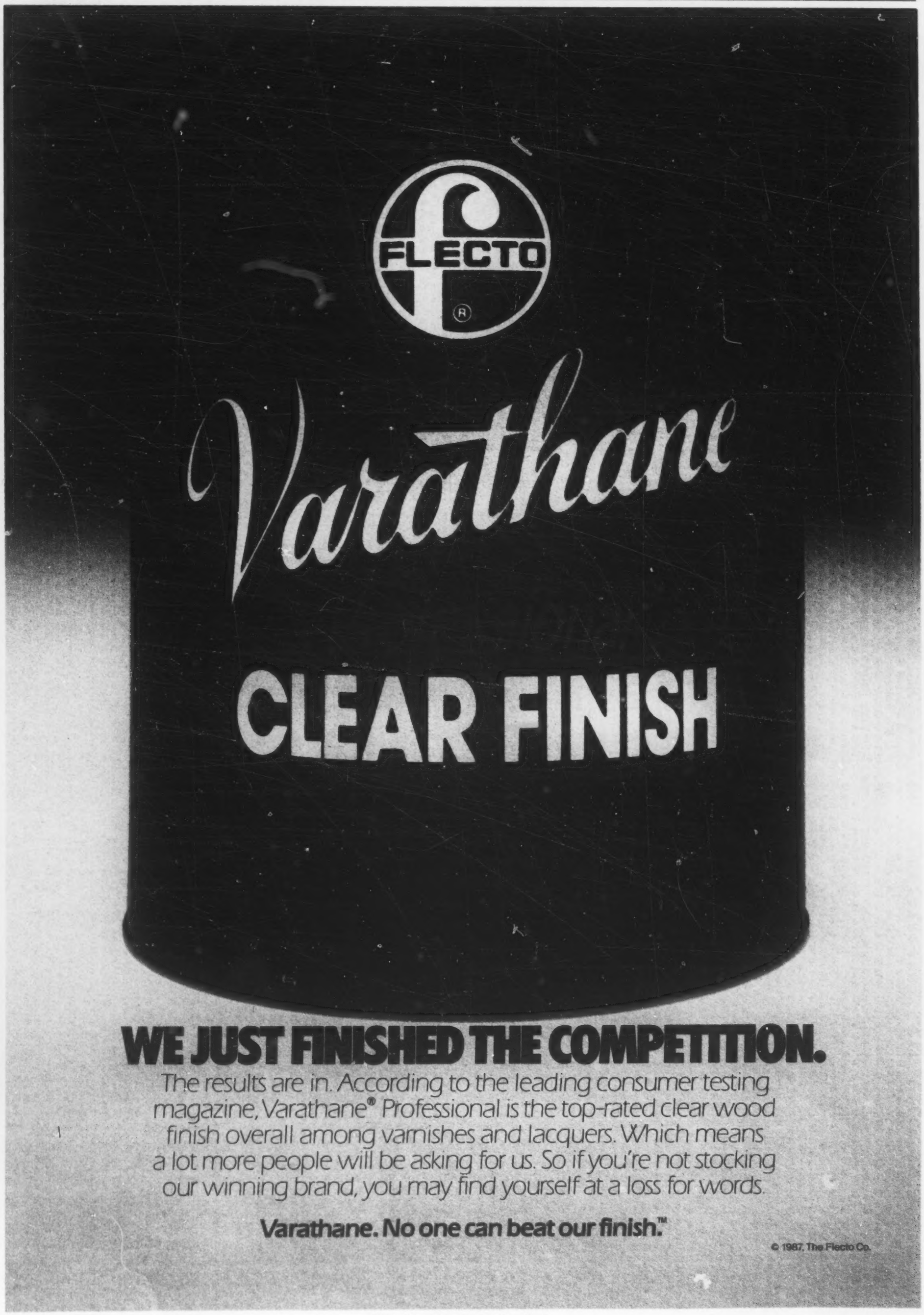
Building material stores also had the highest index for exterior paint buying in rural markets, with the activity level equaling 218.9, followed by hardware stores at 181.9.

Paint stores showed their greatest strength among those with homes of $100,000 or more (169 for interior paint buyers in this group, 146.2 for exterior paint purchasers) and with those whose incomes exceed $50,000 (154.4. and 148.1, respectively).

Department stores were strongest among paint buyers whose homes were worth between $50,000 and $99,999, and who lived in either the New England or Middle Atlantic states.

Discount stores had real strength among households with incomes under $50,000 (146.8 for interior paint, 167.8 for exterior) and with those in the East Central part of the U.S. (159.7 and 196.6, respectively). Discounters were also the only dealers to show any kind of drawing power in the Southwest.

(The one real anomaly in the *Practical Homeowner* survey was the poor activity showing registered by households in central city markets, which accounted numerically for nearly 20 percent of all the households that bought interior paint and 6 percent of households buying exterior paint. No retailer group had an index of 100 for central city shoppers.)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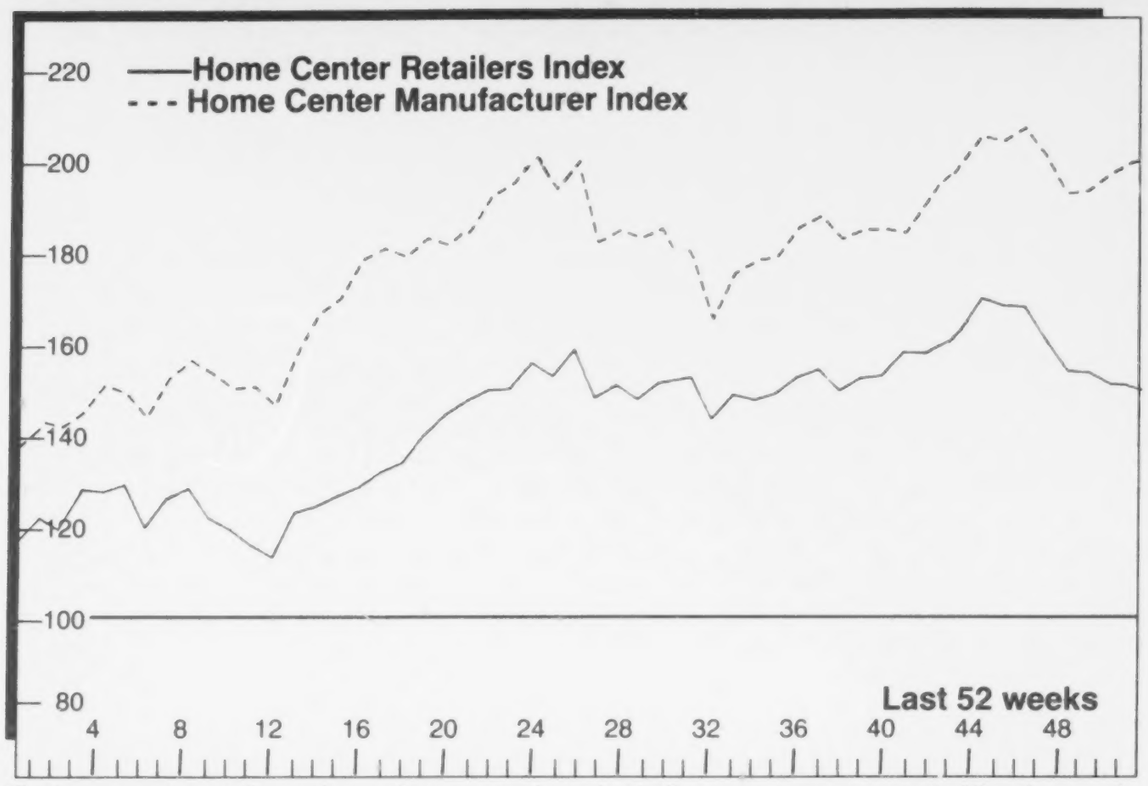
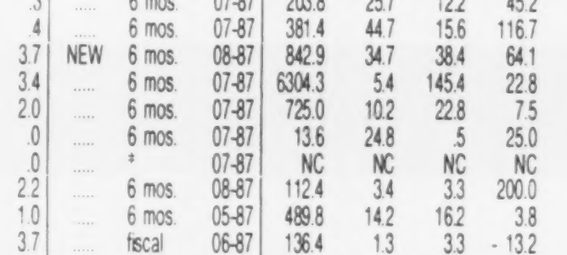


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-16-87		(100)	%	%
Waxman Ind	M	3,857	272.0	- 6.3
Hughes Supply	N	1,087	237.1	- 13.5
USG Corp	N	64,934	233.3	- 17.4
Macmillan Bloedel	M	38,253	227.0	- 9.4
Hechinger B	M	1,475	217.2	- 14.4
Pay n Pak	N	1,238	195.2	- 10.3
Zayre Corp	N	78,235	195.2	- 23.3
Masco Corp	N	48,783	188.3	- 17.2
Sears, Roebuck	N	122,018	184.2	- 20.4
Certain-teed	N	2,809	179.2	- 17.5

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 10-16	2-Week Price Change	Total 2-Week Volume
10-16-87		$	%	(100)
Moore Handley	M	8.50	3.0	104
Walter, Jim	N	59.50	.2	3,633
Losers		$	%	(100)
Pope & Talbot	N	18.00	- 25.0	3,393
Zayre Corp	N	24.75	- 23.3	78,235
Am Consum Prods	M	10.75	- 23.2	890
Triangle Ind	N	33.25	- 22.9	5,321
Armstrng Wrld	N	34.00	- 22.5	18,231
Stanline Inc	M	10.75	- 20.4	172
Sears, Roebuck	N	41.50	- 20.4	122,018
Hechinger A	M	18.25	- 19.8	6,672
Owens Corn	N	18.75	- 19.8	21,712
La Pacific	N	31.25	- 19.4	15,540

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 10-16-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Gen Bldg Prods	M	8.25	- 1.25	- 13.2	10.00	8.25	12.50	8.25	611	1.53	.71	115.5	11.6	.00	.0	NEW	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc	M	7.38	- 1.50	- 16.9	8.75	7.25	11.25	6.75	9,864	4.93	3.77	30.8	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	18.25	- 4.50	- 19.8	23.00	18.25	26.50	16.25	6,672	6.10	6.63	- 8.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	19.25	- 3.25	- 14.4	22.50	19.25	26.75	16.25	1,475	.92	.29	217.2	17.3	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	20.00	- 4.63	- 18.8	26.25	19.88	28.09	11.09	16,899	3.83	2.31	65.8	22.2	.08	.4	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc	N	42.75	- 5.50	- 11.4	48.38	42.75	54.00	36.63	7,758	1.95	.99	97.0	12.4	1.60	3.7	NEW	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp	N	34.00	- 7.25	- 17.6	41.25	33.25	48.38	28.84	81,218	4.03	1.85	117.8	10.6	1.16	3.4	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	22.50	- 2.75	- 10.9	25.75	22.50	32.75	22.50	12,993	3.28	1.42	131.0	15.4	.44	2.0	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	6.50	- .75	- 10.3	7.13	6.25	10.00	6.50	147	1.08	.96	12.5	8.4	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber	M	4.75	- .25	- 5.0	5.50	4.75	7.50	4.00	436	.77	.38	102.6	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak	N	18.50	- 2.13	- 10.3	20.63	18.38	21.50	10.63	1,238	1.24	.42	195.2	18.5	.40	2.2	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash	N	16.00	- 2.00	- 11.1	18.13	16.00	26.88	15.88	9,041	2.61	2.15	21.4	12.6	.16	1.0	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	13.88	- 1.13	- 7.5	15.13	13.88	15.88	12.00	2,798	1.92	.70	174.3	19.5	.52	3.7	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	41.50	- 10.63	- 20.4	52.25	41.00	59.50	39.00	122,018	3.24	1.14	184.2	10.1	2.00	4.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	23.50	- 3.63	- 13.4	27.13	23.38	31.88	20.88	11,462	10.28	5.64	82.3	17.0	.60	2.6	.....	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz	M	11.50	- .88	- 7.1	13.00	11.25	15.25	10.25	868	1.43	1.05	36.2	12.1	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos	N	14.13	- 3.25	- 18.7	17.38	13.75	25.00	13.75	22,808	4.77	1.85	157.8	4.9	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber	M	12.75	- 2.50	- 16.4	15.50	12.75	18.75	7.75	2,443	4.17	2.37	75.9	10.4	.20	1.6	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	24.75	- 7.50	- 23.3	37.00	24.50	37.00	21.00	78,235	13.46	4.56	195.2	8.9	.40	1.6	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	24.00	- 3.75	- 13.5	28.38	23.88	30.25	20.75	1,087	3.27	.97	237.1	10.5	.40	1.7	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.50	.25	3.0	9.00	8.25	10.75	6.75	104	.42	.48	- 12.5	19.3	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	7.13	- 1.13	- 13.6	8.25	7.13	9.88	7.13	1,163	2.89	1.97	46.7	19.3	.28	3.9	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	10.75	- 2.75	- 20.4	13.50	10.75	14.00	8.00	172	1.01	1.11	- 9.0	9.7	.32b	3.0	.....	9 mos.	07-87	15.7	- 4.3	.5	0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																														
Am Consum Prods	M	10.75	- 3.25	- 23.2	14.00	10.75	14.25	8.50	890	4.29	1.92	123.4	16.0	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	42.50	- 10.00	- 19.0	52.38	42.00	55.00	38.25	8,197	2.55	1.65	54.5	11.4	1.80	4.2	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	9.50	- 1.88	- 16.5	11.38	9.38	17.13	9.50	898	1.30	.50	160.0	10.6	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	34.00	- 9.88	- 22.5	44.75	33.25	47.38	26.38	18,231	3.85	1.92	100.5	11.7	.90	2.6	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	22.00	- 3.38	- 13.3	26.13	22.00	26.50	15.75	22,390	3.85	2.01	91.5	30.6	.40	1.8	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	72.50	- 11.50	- 13.7	84.38	72.38	86.88	57.25	15,294	5.25	2.29	129.3	18.6	1.90	2.6	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	33.00	- 7.00	- 17.5	40.00	33.00	45.75	28.63	2,809	1.48	.53	179.2	10.5	1.00	3.0	NEW	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl	N	37.88	- 6.50	- 14.6	44.50	37.00	44.63	27.88	50,987	5.41	2.38	127.3	10.5	.80	2.1	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	9.25	- .25	- 2.6	10.25	9.25	18.25	9.25	1,427	2.80	1.83	53.0	21.5	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	62.38	- 11.75	- 15.9	74.50	62.13	74.50	37.75	14,246	2.87	1.41	103.5	19.4	1.68	2.7	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	35.13	- 3.13	- 8.2	38.13	35.13	43.75	35.13	605	1.53	.78	96.2	22.5	1.40	4.0	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	21.00	- 5.00	- 19.2	26.63	21.00	26.63	15.56	8,314	1.33	.91	46.2	NM	.80	3.8	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.46	27.8	1231.6	18.7	56.8	42.0	.91	30.0
Georgia Pacific	N	37.75	- 7.75	- 17.0	45.88	37.63	52.75	35.63	43,103	3.96	2.26	75.2	9.7	1.00	2.6	NEW	9 mos	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp	N	20.50	- 4.00	- 16.3	24.38	20.50	28.13	19.03	2,706	1.30	1.32	- 1.5	13.0	1.00b	4.9	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	0
La Pacific	N	31.25	- 7.50	- 19.4	38.75	31.25	39.75	27.31	15,540	4.06	2.90	40.0	12.9	.80b	2.6	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	20.50	- 2.13	- 9.4	23.50	20.50	23.50	9.25	38,253	3.76	1.15	227.0	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.00	- .38	- 11.1	3.38	3.00	5.38	1.63	8,171	3.40	1.76	93.2	.7	.00	0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	27.13	- 5.63	- 17.2	32.75	26.75	40.88	25.00	48,783	3.69	1.28	188.3	15.7	.40	1.5	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	9.50	- 1.00	- 9.5	10.88	9.50	14.38	9.50	224	.90	.34	164.7	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	34.88	- 6.13	- 14.9	41.00	34.88	43.00	25.75	1,235	1.08	.76	42.1	15.0	.84	2.4	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	12.00	- 1.50	- 11.1	13.63	12.00	17.38	11.75	5,434	3.35	1.48	126.4	9.7	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	18.75	- 4.63	- 19.8	23.63	18.63	32.38	8.88	21,712	5.79	2.72	112.9	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	14.50	- 2.38	- 14.1	17.00	14.38	18.13	10.00	2,524	2.27	1.08	110.2	14.9	.12	.8	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	18.00	- 6.00	- 25.0	23.88	17.75	27.25	10.56	3,393	2.82	1.46	93.2	8.1	.44	2.4	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	29.88	- 6.25	- 17.3	36.38	28.50	41.88	26.25	7,649	2.86	1.08	164.8	10.9	.92	3.1	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	40.00	- 6.50	- 14.0	46.88	39.75	53.50	33.50	31,702	2.65	1.43	85.3	13.9	1.20	3.0	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	31.38	- 3.00	- 8.7	34.13	31.00	38.50	23.25	8,916	2.01	1.27	58.3	13.0	.56	1.8	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	28.25	- 6.50	- 18.7	35.00	28.00	36.63	24.13	4,953	1.16	.61	90.2	14.1	.88	3.1	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	19.00	- 2.25	- 10.6	21.50	19.00	22.63	15.50	682	.69	.44	56.8	13.6	.68b	3.6	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	33.25	- 9.88	- 22.9	43.50	32.75	44.00	24.50	5,321	2.20	1.25	76.0	13.2	.12	.4	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	39.63	- 7.88	- 16.6	47.50	39.00	48.19	34.03	20,451	2.78	1.60	73.8	17.0	1.16	2.9	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	43.38	- 9.13	- 17.4	55.88	42.50	55.88	31.00	64,934	12.70	3.81	233.3	9.9	1.12	2.6	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	59.50	.13	.2	59.75	59.38	62.38	33.69	3,633	.92	4.10	- 77.6	17.0	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.25	- .75	- 6.3	12.38	11.00	13.25	6.53	3,857	6.10	1.64	272.0	18.8	.10	.9	NEW	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	46.25	- 6.63	- 12.5	53.00	46.00	60.00	35.63	59,921	4.43	1.99	122.6	18.4	1.50	3.2	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Home improvement industry stocks plummet in panic

(Continued from page 1)

But the rest of the home improvement industry was starcrossed on Oct. 19.

Home improvement industry stocks plummeted about 22 percent in value. The 58 industry companies tracked for *NHCN* by Media General lost a combined $17.8 billion in value, dropping in total worth to $63.9 billion from $81.7 billion.

Of the $7.2 billion drop suffered by retail companies, all but $732 million was incurred by four companies: Sears, K mart, Interco and Zayre.

Home Depot also had problems, dropping 4½ to 15½, a 22.5 percent drop, which company chairman Bernie Marcus attributed to the stock's higher-than-average price /earnings ratio.

"If you are looking for a reason" for the market's pendulum-like volatility, said Marcus, "I would advise you to go to an insane asylum. There's no logic to what happened."

Pension funds smacked

Even though many of the industry's stocks recouped over the next three days as the stock market bounced all over the place, the initial shock of Monday's crash was a sobering experience.

Pension funds with heavy market investment suffered, and the industry, trying to cope with confusion and uncertainty, pondered stock buybacks and acquisitions.

"I don't know of anybody who didn't take a big hit," said Brad Oelman, vp-corporate relations for Owens-Corning Fiberglas, which has a whopping 75 percent of its pension fund assets in stock.

Because O-C's plan was overfunded, Oelman said some of the shock for the Ohio company was cushioned. But he added: "We don't have much leeway left."

At Scotty's, where about 50 percent of pension fund assets are stocks, "there's going to be a drop, no doubt about it," said cfo Harold Taylor.

The pension fund of Excelsior, Minn.-based Lyman Lumber also suffered. Stocks which comprise about 20 percent of the pension portfolio dropped 22 percent, bringing it back to Jan. 1 levels, said Jim Hurd, executive vp.

"We were not real impressed with the day," he said.

Ironically, Grossman's pension fund benefitted from the company's residual Chapter 11 status, because the company is still extricating its plan from Evans Products, its former parent. Stanley Berman, executive vp-administration, said the fund money had been shifted to more conservative investments.

Stock repurchases pondered

As the market continued to gyrate toward week's end, many major companies were considering the feasibility of stock buybacks or acquisitions.

Payless Cashways jumped in early, announcing on Oct. 20 a one million share buyback of its common stock, about 3.5 percent of its total outstanding shares.

Payless stock dropped 3⅜ Monday, and ⅛ on Tuesday to close at 12½. Its stock closed at 13½ on Wednesday, meaning that the repurchase would cost anywhere from $12.5 million to around $14 million.

"There's lots of companies in corporate America that are probably doing the same thing we did, which is why the market is so strong today [Wednesday]," said Steve Lightstone, Payless' senior vp-finance.

Lowe's announced that it would go to market and repurchase $17 million worth of its stock for next year's contribution to its Employee Stock Ownership Program. The buyback would equal around 880,000 shares, based on the company's Wednesday close at 19¼, according to W. Cliff Oxford, Lowe's vp-investor relations.

O-C's Oelman said a buyback was "a potential option." But he noted that O-C's restructuring last year and subsequent heavy debt could make that difficult.

Some see silver lining

But Jeffrey S. Silverman, chairman and president of Ply-Gem Industries Inc., said he's more interested in other companies.

"We've already got our hit list," said Silverman, who is well known for his active takeover maneuvering.

Silverman said the crash will ultimately be good for business, a sentiment that was echoed throughout the industry.

The movement of capital from the stock market into bonds—which began last week—generally signals a decline in interest rates, Taylor of Scotty's said, which should fuel home buying and repair.

In addition, Chemical Bank and Marine Midland Bank reversed their prime rate increases on Tuesday, dropping that rate for the most creditworthy commercial customers to 9¼ percent.

The increased demand for bonds means prices should drop, said Fred Flick, vp-forecasting and policy analysis for the National Association of Realtors, and mortgage rates are generally tied to long- and short-term bonds.

In Toronto, where manufacturers were attending the National Hardware Convention, there was more worry over consumers' perceptions of the crash than the actual decline.

"I still think the economy is in reasonably good shape," said Nolan Archibald, chairman of Maryland-based Black & Decker. "The scary thing is that people are going to feel so much poorer that they're not going to go out and buy the things they were planning to."

This article was prepared with assistance from senior editor Phillip M. Perry

Calif. law forces reformulation of paint, stains

(Continued from page 1)

the sale and use of solvent-based finishes have caused "concern" among the association's membership.

For the time being, it appears that U.S. stain products will be forced to make two types of product: one for California and one for the rest of the country.

The association believes that the best performance comes from solvent-based finishes on redwood decks, exterior siding and interior paneling. Water-based formulations are not as long-lived and do not block stains as well as oil-based finishes.

As previously reported (*NHCN*, Sept. 21), the new EPA rules affect oil-base enamels, varnishes, waterproof sealers and more than two-dozen other coatings.

The rules refer to the chemical composition of architectural coatings. They are designed to reduce emissions of hydrocarbons in the form of volatile organic compounds (VOCs).

The new limitations restrict the sale of any stain and wood preservative or sealers which produce emissions of more than 350 grams of volatile organic hydrocarbon effluents per fluid liter.

No alternative suggestions

Fantozzi of the Redwood Association said that it has been unable to make any strong consumer recommendations for alternative products. "There are manufacturers who have come up with reformulated products, but whether they will perform, time will tell," he said.

The problem is that "nobody has yet found an acceptable alternative formula for solvent-based sealers and repellents," Fantozzi continued.

The association is asking the EPA to reconsider the VOC limits on coatings and to consider an exemption that would allow higher VOC-containing finishes to be used on specific substrates such as redwood and cedar.

Ted Smits, a spokesman for Darworth Company, the Avon, Conn.-based manufacturer of Cuprinol oil-based stain and wood preservative, said its products already comply with the new EPA VOC limitations in California "because they use linseed oil instead of petroleum-based distilates, which causes the pollution problem."

At Glidden, Bob Minucciani, a scientist for regulatory affairs and compliance coatings, said Glidden is in the process of test marketing a modified solid-color stain to fall within EPA guidelines. Minucciani said Glidden will soon offer EPA-approved stains in the 11 Western states with special labeling.

Minucciani, who served on an architectural coatings task force group sponsored by the California Air Resources Board, said there are still many "nuances" to the EPA guidelines that need to be worked out.

Strober to undertake major acquisition

(Continued from page 7)

General did $43 million in business last year. It has a single lumberyard and one kitchen and bath showroom, and plans to open a second this December. All three locations are in East Hartford, Conn.

The two contractor-oriented companies combined should achieve $104 million in 1987 sales. (Only part of General's revenues will be included in Strober data.)

In 1988, the two companies should do $165 million, as estimated by Timothy L. Jones, an analyst with for Oppenheimer & Co., New York.

Strober is still looking for additional companies to purchase. The fact that it can do so without losing track of current operations is a reflection of the care it has taken to insure the compatibility of General with current operations.

Two key personnel will be staying on as management at General and will also be joining the Strober board. These are Ed and Eliott Zieky, who will be named senior vps.

"As far as the day to day operations, General will be very autonomous," said Gary Nacht, Strober's chief financial officer.

Strober plans to add kitchen and bath departments to many of its current yards, and may possibly build additional free-standing kitchen and bath stores. The merger may depress Strober's short-term gross margins. This will be offset by lowering selling, general and administrative expenses at General.

Gross margins at General should be enhanced when Strober adds new products like gypsum and hardware.

Nacht said Strober plans to flex its $30 million credit line for future acquisitions, and is looking for buys in the region north of Washington, east of Pittsburgh and throughout New England.

Enough HOME assets 'to fill a store' hit auction block in Nov.

(Continued from page 6)

tory at the Coral Springs store was added to the merchandise at the Naples mall where the auction will be conducted.

"I have no way of knowing how close to fair market value it is," he said, "but this place has a large amount of inventory."

Schwartz has previously handled auctions that brought as much as $11.7 million. He indicated that, in some cases, there seemed to be enough HOME inventory to fill entire departments in electricals, kitchen cabinets, lumber and building materials, tools and outdoor furniture.

With regard to operating equipment available for bid, Schwartz said there are forklifts, conveyor belts, shelving, and even a computer system for designing kitchens.

Court appoints formula

He explained that when sales from an auction are less than the liabilities sought by creditors, the court typically comes up with a formula to divide the proceeds equitably.

Persons who attend the auction are expected to pay a $100 cash deposit to register to bid. If the bidder buys nothing, the money is returned.

Meanwhile, Milton Friedman, an attorney acting as a trustee on behalf of the creditors but who does not represent any one creditor or block of creditors, said he is satisfied with the level of cooperation and information HOME has forwarded to him.

However, he added that he has been apprised of numerous unsavory rumors about the company's method of conducting business but has not pursued them for lack of substantiation.

Evidence of any wrongdoing on the part of HOME's officers would be enough for him to bring some action against them, he said.

"If I felt there were certain transactions that were not completely above board, we would act on it," he said. "But my responsibility is not to react to rumors, but to consider them and to see which, if any, can be substantiated."

Kitchen cabinet maker files for Ch. 11 protection

(Continued from page 7)

its ready-to-assemble kitchen cabinets. Moving into the preassembled cabinet market absorbed more than the anticipated funds.

"We started production of nine new lines of assembled cabinetry in the first quarter of 1986," said Johnathan Church, vp-marketing/sales for Belwood. "We used up the money we had to do that."

However, the company is paying its bills and is on solid footing with vendors.

Church said Belwood had attempted to cure its liquidity crunch earlier this year when it took out a series of loans from First Tennessee in May.

Belwood employs 459 people. In addition to its main office in Ackerman, Miss., the company operates a sales office in Memphis, Tenn., and also a plant in Tylertown, Miss.

Dealer taps home center manager to develop DIY unit

(Continued from page 7)
48-foot run of automotives called for in PASHA's blueprint and replacing it with building materials. Where laundry products were supposed to be, millwork was installed.

A more complete assortment of hardlines appeared where pet supplies was to be. Special bath displays were also built.

In addition, Williamson took a bolder step by going with a "Best, better, good" product assortment, so that gondola runs are featuring higher-end products.

"I selected the merchandise I'm stocking very carefully, and I believe it's much better to go with the best quality stuff first," said Williamson, who added that this market, about 30 miles south of Philadelphia, has the demographic profile to support such a product mix.

The store also has a separate area for contractors to order merchandise and get back to work quickly. The tool department features best-quality levels and rules and a strong assortment of masonry equipment, as well as prograde Milwaukee power tools. And the yard stocks an ample assortment of lumber and building materials.

Contractor and DIYer concerns merge in the store's "X-ray House," designed by Williamson with kitchen and bath department manager Mike Morrison. The house, in the back of the store, has cutaway sections that show all the product that is needed for a home remodeling job.

The company had been a masonry supplier since 1924 until its president J. Leon Hagerty (who passed away in June at the age of 72) began discussing the opening of a new home improvement store with a number of the hardware co-ops.

Two and a half years ago, Hagerty decided to join Ace, the Oak Brook, Ill.-based buying group, and began working with Ace's regional representative Rick Johnson.

"I wanted to open a store like this because I didn't intend to be in the masonry business all my life," joked Larry Hagerty.

The store, with 2,000 square feet of office and employee space, cost around $1.6 million to construct, and opened with $300,000 in inventory at cost and 30,000 stock keeping units, of which 20,000 hardlines are stocked in the store.

Williamson, who has done stints at Channel and Grossman's, as well as running a construction company and two independent hardware stores, seems pleased with the results of his labor, while admitting that the Hagerty Ace unit needs some finetuning in its seasonals, kitchen and bath, and heating and cooling departments.

Ace's PACE computerized inventory management system will take another four to six months before it's completely operational. And some departments will be shifted around and filled in.

But that won't hinder his and the Hagertys' plans for the company, which include opening a second store next year with a stronger emphasis on millwork, lumber and kitchen and bath. A third unit, to open in 1989, will have a truss manufacturing facility.

Suppliers optimistic at hardware convention

(Continued from page 5)
supplier.

Attendees were warned, though, that when it comes to marketing, it's war out there.

'Marketing is warfare'

"Marketing is total warfare and the prize is the consumer's mind," Al Ries, chairman of Trout & Ries Advertising, told the audience at the convention's opening session.

He said suppliers should narrow their product focus instead of putting their names on every item they make.

"People are always looking for the cheap way out," he said, explaining manufacturers' reluctance to develop different names. "The essence of line extension is greed. The essence of positioning is sacrifice. The reason you sacrifice is to develop a message."

D. Bruce Merrifield Jr., president of the Merrifield Consulting Group in Cos Cob, Conn., urged the audience to focus on major customers and exclusive supply contracts. The difficult part, he said, is providing extra service to those accounts. "Some people's idea of providing extra services is to give the guy a baseball cap," he said.

At the beginning of the session a moment of silent prayer was offered for Peter Vaida, who died Sept. 29 when the plane he was flying crashed after takeoff from Alexandria Field Airport in New Jersey.

Vaida, 65, was a well known industry figure and served as president of the American Hardware Manufacturers Association from 1977 to 1978. At the time of his death, he was a consultant with the Warren Tool Group in Hiram, Ohio.

Vaida is survived by his wife, Ritter, two daughters, two stepsons, two brothers, a sister and five grandchildren.

Retail warehouse executives form new wholesaling venture

(Continued from page 5)
common stock, or 2.6 percent of the outstanding shares.

K mart has no policy prohibiting company officers serving in executive positions at other companies, and is concerned only when the individual's corporate duties would be impaired, said Robert Stevens, K mart's vp-government and public relations.

"We have a very aggressive growth by acquisition strategy," said Builders Design's president Robert Salyard.

He said the company should do $100 million by the middle of next year, and is looking for acquisitions doing $10 million to $35 million in sales.

The company operates four designer showrooms in Florida and one in Norcross, Ga. Each showroom is from 1,000 to 1,500 square feet.

The company has signed letters of agreement to purchase two companies. On Sept. 18 it is to buy VBL Group, headquartered in Lindenhurst, N.Y.

VBL is an acronym for Venetian Blind Laundry and operates three custom window-treatment outlets. VBL should do $9 million this year.

Builders Design has also agreed to purchase an as yet unnamed $14 million West Coast installer of home carpeting.

The company plans to open a sixth designer showroom in Delray Beach, Fla., this fall. Additional showrooms are planned for Daytona Beach and Jacksonville, Fla.

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Vol. 13, No. 22 November 2, 1987

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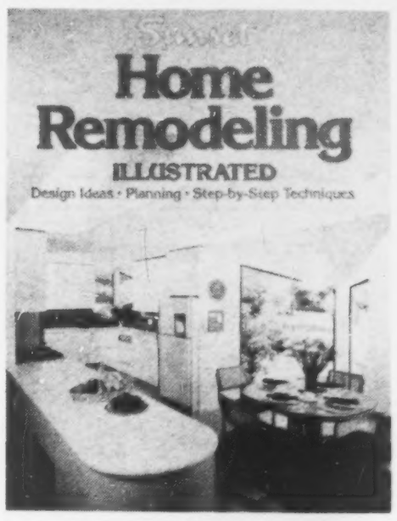

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Circle 78 on Reader Service Card

Retailers seeing the light in scanning

(Continued from page 6)
The opening session, "The Basics of Auto Identification," served as an introduction to the various technologies available, from UPC scanning to Magnetic Stripe technology (commonly used with credit cards) to Optical Character Recognition (OCR) to Radio Frequency (used to read coded data at a distance).

For retailers, real time, or up to the minute, data inventory was touted as advantageous for reducing inventory and increasing turns.

For manufacturers, scanning and coding provides a product tracking ability, currently in use by Federal Express, which enables the company to know where a given package is at any time.

'At what cost?'

While manufacturers acknowledged the benefits of CAM, the predominant question remained: at what cost? This was answered in part by Gary Blunck, project manager, Deere Technical Services, Deere and Company.

Without revealing specific details, Blunck explained that objectives such as reducing selling price, maintaining quality, increasing worldwide market share and increasing profitability were reached by implementing the new technology.

The message to manufacturers was clear, and its importance extends to retailers: higher quality domestic products at lower cost.

Georgia-Pacific expands dist. network

(Continued from page 7)
tered to specialty markets to which G-P wanted access.

What the merger includes

The merger also includes:

- Two USP facilities in St. Paul, Minn., and Mansfield, Mass., becoming full-line DCs serving G-P's customers;
- Another 10 USP facilities, part of the 12 specialty sales and distribution centers, will be established in Farmingdale, N.Y.; Philadelphia; Alexandria, Va.; Birmingham, Ala.; Columbia, S.C.; Hillsborough, N.C.; Arlington, Texas; Cincinnati; Tampa, Fla.; Providence, R.I.; Mira Loma, Calif.; and Atlanta;
- Five units will be set up for the mobile home and manufactured housing market;
- Some 28 undesignated USP facilities will become subsidiary operations to full-line distribution centers in existing geographic regions where G-P has operations nationwide.

"One of the main objectives of the acquisition was to enhance our existing sales and management team with experienced USP personnel," said George A. MacConnell, senior vp-distribution division, in a press release. "Together we will have the finest sales force in the . . . industry."

The integration is expected to be operational by Jan. 1, 1988, MacConnell said.

Disston purchase by giant U.K. toolmaker collapses

(Continued from page 1)
pany and purchased it in 1982 from the Swedish-based Sandvik AB.

Libby confirmed with *NHCN* that, had the deal been consummated, he would have received $10 million in cash at the closing and receive a six-year management contract to run Disston with an annual compensation of $400,000 and half of any pretax profits Disston made above $2.5 million. Libby would have maintained control of Disston.

Both Libby and other Disston officials were unavailable for comment with *NHCN* went to press.

It can only be speculated as to whether the international stock market crash during the week of Oct. 19 affected Neill Holdings' decision to terminate the acquisition.

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National Home Center News®

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Drought halts logging in Pacific Northwest

By Milford Prewitt
NHCN staff editor

OLYMPIA, Wash. — The fear of forest fires has prompted state and federal land managers to curtail timber harvesting on public and private lands, an action that may precipitate some lumber shortages and price increases.

Nick Kaiser, marketing manager of Weyerhaeuser's mill in Springfield, Ore., expressed support for closure guidelines and added, "Nobody ever thought it wouldn't rain here in October." NHCN photo

The U.S. Bureau of Land Management and the Oregon and Washington state natural resource management agencies ordered closures and other reductions in logging in late October on some 18 million forest acres in the Pacific Northwest. At the same time, recreational use of some forest land was brought to a complete halt.

Three months of drought and hot winds swirling off of the Cascade Mountains have made forests in the Pacific Northwest ripe for an inferno, authorities warn. The cessation of logging activity and camping should lessen the odds of accidental fires, authorities said.

Although some regions were totally shut down for log-

(Continued on page 55)

Market panic fosters fear of consumer spending drop

By Ariane Sains
NHCN staff editor

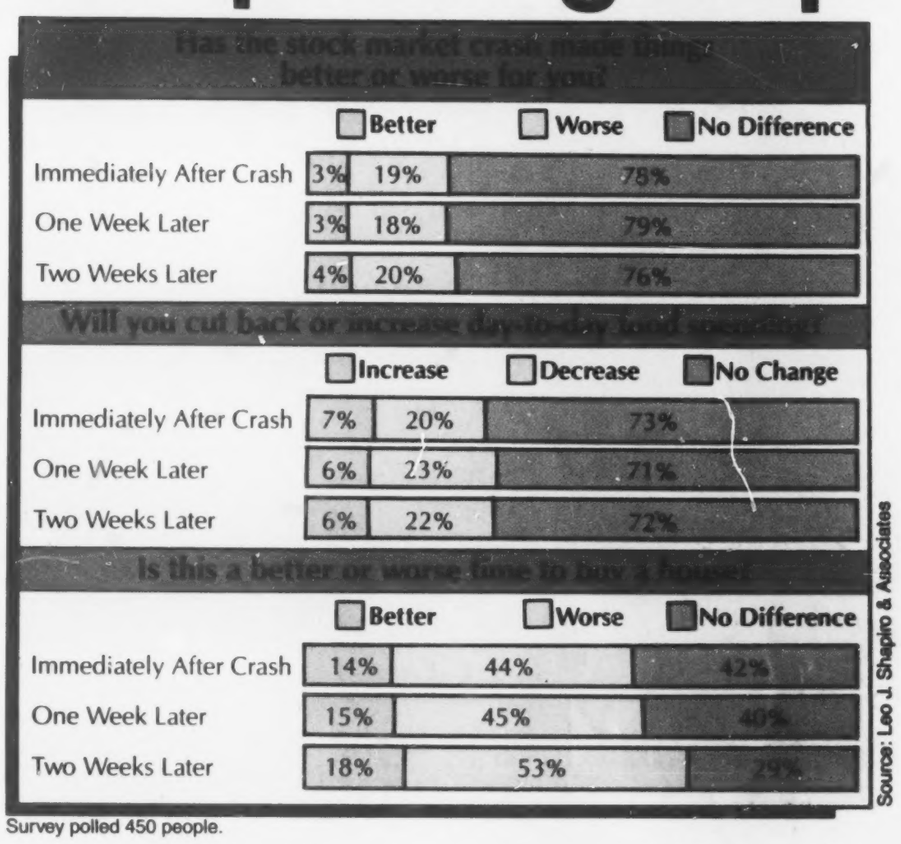
WASHINGTON — For many consumers, the stock market crash could distort reality like a fun house mirror.

So far, consumer spending levels appear unchanged. But economists and retailers fear consumers may decide economic conditions are worse than they are. And how frightened consumers are by that distorted image could determine the economy's fate for two years.

At worst, consumers will opt to save more and spend less over the next 12 to 18 months.

If so, the GNP growth will slow. Manufacturing will slacken. Owner-occupied repair and remodeling projects will fall dramatically. The only potential bright spot would be that new home construction and resales probably wouldn't suffer in 1988.

At best, consumers will pull back for about six months. Big-ticket spending will drop off, but consumers will continue to make what they consider to be necessary purchases.


Has the stock market crash made things better or worse for you?
Better
Worse
No Difference
Immediately After Crash 3% 19% 78%
One Week Later 3% 18% 79%
Two Weeks Later 4% 20% 76%
Will you cut back or increase day-to-day food spending?
Increase
Decrease
No Change
Immediately After Crash 7% 20% 73%
One Week Later 6% 23% 71%
Two Weeks Later 6% 22% 72%
Is this a better or worse time to buy a house?
Better
Worse
No Difference
Immediately After Crash 14% 44% 42%
One Week Later 15% 45% 40%
Two Weeks Later 18% 53% 29%
Source: Leo J. Shapiro & Associates

Survey polled 450 people.

"It's a battle of reality versus the imagination and fear of the consumer," says Morton Marcus, director of the University of Indiana School of Business's Research Center.

Because of the crash, consumers may feel less wealthy, even if they weren't investors. Instead of spending discretionary income—money that's left over after necessities are bought—they will use it to fatten their bank accounts.

(Continued on page 20)

Compensation survey shows regional trends

NHCN's 1987 Employee compensation study begins on page 27. Among its findings were that:

- Salaries are generally higher at survey participants in the Northeast where store managers, for example, receive a median salary of $37,500.
- Bonuses are seen by respondents as more important motivating forces than in the past for both mid- and upper-management personnel.
- Medical reimbursements are the most popular of all benefits.
- Profit sharing plans are offered by 42 percent of respondents, nearly double the participation in pension plans.

Conn. builder pioneers field of non-toxic construction

By an NHCN staff editor

NATIONAL REPORT — When Paul Bierman-Lytle began looking for healthy building materials three years ago, nobody knew what he was talking about.

"People had no idea what was in any of these things," the New Canaan, Conn.-based architect and builder said. "And they didn't think it mattered."

It mattered a great deal to Bierman-Lytle. As a builder he was constantly exposed to such toxic substances as formaldehyde, lead and pentachlorohenol present in build-

(Continued on page 56)

Wickes sizes up buyers for 225 lumber units

By Brad Altman
NHCN staff editor

LOS ANGELES — Immediately after Wickes Cos.' surprise announcement that it planned to sell Wickes Lumber, potential buyers surfaced, a company official has disclosed.

"There have been people who have expressed interest" in acquiring the 225-unit chain, general manager Les Hagen told *NHCN* in an Oct. 29 telephone interview. He would not say if formal bids were made but he indicated that Wickes is weighing various options.

"Lots of rumors are flying around," Hagen said when

(Continued on page 55)

INSIDE

Dealers bolster compensation to lure new workers 27

Bonuses rise and become incentive 29

Retailers don't take bedroom furniture lying down 32

Unfinished furniture sales on the rise 37

NEWSBREAKS

HOME FURNISHINGS WAREHOUSE DEBUTS: The 150,000-square-foot, IKEA-like unit called STOR opened Oct. 28 in Los Angeles, the first of a planned 30 units. Harvey Knell, former Ole's Home Centers ceo, is chairman.

NEW MARKETING VP AT PAY 'N PAK: Tim Lucia, senior vp-marketing at Ernst Home & Nursery, joined the Kent, Wash., chain Nov. 2, replacing Richard Friel. His spot at Ernst will be filled internally and report to vp-merchandising Tom Vertetis.

INDUSTRY UPDATE

Nortek withdraws Kincaid bid

PROVIDENCE, R.I. — Nortek dropped its $47 million hostile bid to acquire Kincaid Furniture, Hudson, N.C.

Nortek, the $962.8 million parent company of Dixieline Lumber, said a lawsuit brought against it by Kincaid, and the volatility of the stock market of recent weeks, were determining factors in the withdrawal of the hostile bid.

Kincaid makes traditional-style furniture sold primarily through specialty furniture dealers (*NHCN*, Oct. 19). Kincaid's lawsuit charged Nortek with violation of securities laws, according to Nortek spokesman Kenneth L. Donoghue. Kincaid dropped its lawsuit when Nortek's hostile bid was withdrawn.

Nortek continues to report problems managing the cash holdings it keeps on hand to facilitate prompt purchases. For the third quarter that ended Oct. 3, Nortek reported revenues of $352.5 million, up by 23.3 percent from the same period in 1986.

Earnings, however, came to only $150,000. That was off from the $6.5 million of the same period last year. The drop was largely attributable to the $10.3 million pretax loss on its investment securities.

Lone Star closes Lindsley deal

SAN ANTONIO, Texas — The deal selling the leases, assets and inventory of the 21-unit Lindsley Home Care chain in the Miami-area to Lone Star Hardware here closed October 30.

Linda Smith, spokeswoman for Lone Star's parent Westlake Hardware in Lenexa, Kan., said the Lindsley units would be referred to as the Florida division of Lone Star and would be renamed Westlake Hardware early next year.

The Lindsley units will undergo a significant remerchandising, dropping the home decor look it established in the last 16 months and moving immediately toward a more traditional hardware store posture, Smith said. Lone Star will also bring in 15,000 new hardlines stockkeeping units.

Payless drops credit card suit

KANSAS CITY, Mo. — Payless Cashways and Mercantile Bank of St. Louis, Mo., have ended their lawsuits over the administration and implementation of Payless' private label credit card.

Payless and Mercantile agreed to drop their respective suits and to assume their own legal costs.

Payless also agreed to purchase all the customer charge receivables from the bank. The amount was not disclosed.

Payless has contracted General Electric Credit Corporation to handle the administration of its credit card.

CoastAmerica, Amoco end deal

DENVER — CoastAmerica Corp. and Amoco Oil Co. have agreed to end a joint venture involving combination hardware and self-service gasoline outlets.

The three test sites in the Denver market—two Coast Car Care Centers and one Hardware X-Press—debuted in April and will be returned to Amoco by Nov. 30, said vp-treasurer Dan Shimer.

Shimer said, "The test was a success," but Amoco was not interested in expanding the number of outlets. "CoastAmerica is in active negotiations with a number of other parties" to replace Amoco, he added.

Coast Car Centers carried auto-related products. Hardware X-Press carried a general assortment of hardlines.

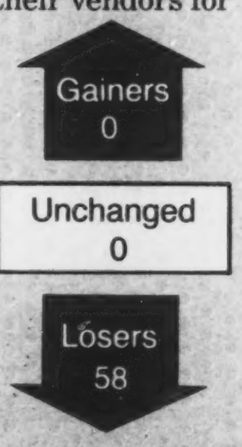
All home center stocks decline

NEW YORK — Misery Monday and its aftermath drove down stocks for home centers and their vendors for the two-week period that ended Oct. 30.

All 58 stocks tracked for *NHCN* by Media General declined during the period.

Standard Brands Paint declined 10.1 percent to close at $21.13. Scotty's declined 12.6 percent to close at $12.13. Hechinger A declined 13.7 percent to $15.75.

Moore-Handley was the biggest stock price loser during the period, falling by 47.1 percent to close at $4.50.



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Canadian retailers are urging manufacturers to use UPC labels

By Suzanne Floyd
NHCN staff editor

TORONTO, Ont.— Five major Canadian retailers are behind a nationwide effort to encourage manufacturers to put universal product code (UPC) labels on merchandise.

Compliance is expected by January 1, 1988.

Virtually every major retailer in Canada has backed this accord, including chains such as Beaver Lumber, Canadian Tire and the Canadian divisions of K mart, Sears and Woolco.

Ken Campbell, executive director of the Canadian Hardware and Housewares Manufacturers Association, Toronto, explained that as of January 1988, all packaged products would have to be coded with a 12-digit human readable label. This is to accommodate retailers that do not yet have bar code scanning.

Campbell acknowledged that the manufacturer reaction was "extremely cooperative." He did say, however, that little attention has been paid to the manufacturer's cost of implementing. "No one pays us a bit of attention when we say how expensive it is," he explained.

Ian Stewart, president of Newell Canada, estimated it will cost between $1 and $2 million to put UPC stickers on all 20,000 stockkeeping units his firm manufactures. He stated that 90 percent of Newell's products would be in compliance by January.

While it is acknowledged that the immediate benefit goes to the retailer, it will filter to the manufacturer.

"By being able to track sales and see trends immediately with regard to color and size, the manufacturer will, in the end, benefit," said Campbell.

David Oates, Canadian Tire's special projects supervisor, said that the country's largest hardware chain is currently working on the coding of its own private label merchandise.

Canadian Tire is taking the stance of not accepting products from outside vendors that are uncoded. CT will be using hand-held scanning devices at point of sale as well as for inventory control.

The decision to use scanning chainwide was based on a test run in Toronto. "It was very positive. The line-ups were reduced, the cashiers liked it." As far as the vendor reaction to the UPC mandate, Oates replied, "They realize it's a thing that's going to happen. They've been very cooperative, and the vast majority have been positive."

One reason for Canada's widespread success with getting manufacturers to code goods has to do with the unity of national chains which comprise some 30 percent of total retail, said CHHMA's Campbell.

USG files suit to bar hostile takeover

By an NHCN staff editor

CHICAGO — USG Corp. filed a suit Oct. 29 here in the Federal District Court to prevent Desert Partners LP from attempting to take over the company.

USG asked the court to bar Desert Partners, a partnership controlled by Texas multimillionaires Cyril Wagner Jr. and Jack E. Brown, from increasing its 9.8 percent share in USG. It is also seeking an order requiring Desert Partners to sell its shares.

USG claimed that Desert Partners had violated federal security laws by not disclosing all information under the Hart-Scott-Rodino Act.

USG also claimed that in a prior meeting with the company, Desert Partners had misrepresented itself and its plans for the company.

In a proposed transaction, Desert Partners stated that it would be possible to pay as much as $50 per share of the payment to shareholders, but no mention was made that this might be partly in subordinated debentures rather than in cash.

At the meeting Desert Partners had also said that because of its limited knowledge of the gypsum industry, it would prefer a transaction where management would participate with equity interest, according to a spokesperson at USG Corp.

On Nov. 1, however, USG, in a prepared statement, said that "senior management has no interest whatsoever in any kind of participation in a leveraged buyout with Wagner and Brown or in any other transaction."

Conflict of interest

USG is also concerned that there could be a conflict of interest between their non-defendant shareholders and Desert Partners' financial advisors, Prudential-Bache.

Its subsidiary, Prudential Insurance Company of America, is currently suing USG Industries (a subsidiary of the corporation) for "substantial compensatory and punitive damages and other relief."

USG stock closed at $35.25 on the New York Stock Exchange Oct. 30, down $2.25.

USG's stock had plummeted Oct. 19 by $11.88 to $31.50 and continued dropping to as low as $26.50 Oct. 27. Stock prices later rose with the speculation that Desert Partners might take over the company.

Desert Partners began purchasing stock Oct. 8, when USG shares were priced at $39.75. Its final purchase Oct. 5 was of 107,800 shares at $53 per share.

U.K. storm stirs up home center sales

By an NHCN staff editor

LONDON — A freak storm that hit the British Isles on Oct. 15 has boosted sales at home centers, and some retailers say the trend could continue for a year.

"There's been a dramatic switch in the mix of products that we sell," said Bill Whiting, marketing director for B&Q Ltd., based in Southampton.

Among the hottest items: fencing, roofing materials and chain saws to cut up the thousands of trees uprooted by the storm.

"There's been an unbelievable demand for chain saws," said Jon Whowell, public relations manager for Wickes Building Supplies Ltd. in Middlesex. The company, which has 12 stores in the hard-hit Kent-Sussex region in southeastern England, has been renting as well as selling saws.

Conversely, demand for decorating products is down.

"People just aren't doing normal DIY," said Graham Rodaway, development director for W.H. Smith Do It All in Dudley.

Kent-based Payless DIY, with 40 stores in Kent-Sussex, saw a 10 percent sales increase at those stores during the week following the storm, said John Hood, Payless' financial director.

Whiting estimates B&Q fencing sales could increase fifty times over before all the repair work is finished. A spring storm this year prompted fencing sales to increase tenfold, he said, "and this storm was much worse."

Industrywide, Whiting predicts that storm-related sales will continue for the next six to 12 months and could mean "millions of pounds of extra turnover."

(Continued on page 56)

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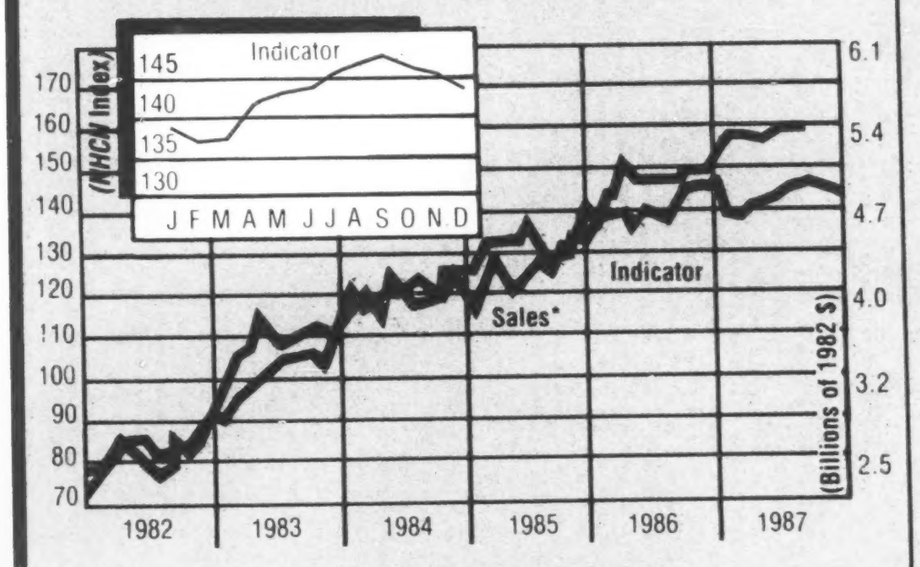


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building material sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

No recession seen for '88, but consumer confidence shaken

By Richard E. Mount
Special to NHCN

Problems in financial markets will cause consumer confidence to shrink through the first half of 1988, sending overall economic growth lower. While Merrill Lynch Economics does not believe that we are headed into a recession, the retrenching consumer, who represents about two-thirds of the economy, could bring about a one-quarter decline in GNP in the opening months of 1988.

Building material retail sales will rise in 1988 because of relative strength in resales, while many housing markets will sharply contract. After a projected increase of 7 percent for building material sales in 1987, 1988 is expected to rise 5 percent in dollar volume, but will be unchanged in unit volume.

Richard E. Mount

Resales should remain strong in the second half of 1987 and throughout 1988 despite rising mortgage rates and potential problems in consumer spending after the recent changes in the stock market. In September, resales rose to 3.45 million units, up from 3.41 in August, and are expected to decline only 5 percent in 1988 and housing starts 13 percent.

This strength in resales reflects their increased affordability against new homes. This spread widened to 25 percent in mid-1987, in early 1980 it was only

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1988 QI	1988 QII	1986	1987	1988
***NHCN* Leading Sales Indicator** (January 1980 = 100)	132.1	137.1	141.1	143.8	146.4	143.7	141.1	142.3	130.4	143.8	142.9

General Economic Outlook

	GNP $1982 Billion	3,718.0	3,731.5	3,772.2	3,795.3	3,831.2	3,861.3	3,847.2	3,860.0	3,713.3	3,815.0	3,869.5
	Real Disposable Income $1982 Bil.	2,653.2	2,656.7	2,674.6	2,645.5	2,676.1	2,685.6	2,692.0	2,704.4	2,645.2	2,670.5	2,712.2
	Housing Permits (000 SAAR)	1,678	1,696	1,682	1,536	1,494	1,475	1,350	1,360	1,762	1,547	1,369
	Housing Starts (000 SAAR)	1,758	1,702	1,795	1,612	1,622	1,550	1,430	1,430	1,806	1,645	1,438
	New Home Sales (000 SAAR)	685	712	724	675	650	650	600	610	749	675	610
	Resales (000 SAAR)	3,615	3,927	3,617	3,610	3,430	3,425	3,325	3,325	3,565	3,521	3,338
	Prime Rate %	7.9	7.5	7.5	8.1	8.4	8.6	8.1	8.0	8.4	8.2	8.3
	Mortgage Rate % (HUD)	10.2	9.7	9.1	10.3	10.5	10.8	10.3	10.2	10.2	10.2	10.7
	Consumer Price Index (1967 = 100)	328.4	330.7	335.0	339.0	342.3	345.8	349.8	353.9	328.3	340.5	356.3
	Producer Price Index (1967 = 100)	288.2	290.2	292.4	295.9	297.7	301.4	305.4	309.5	289.8	296.9	311.5
	New Housing Affordability 1980-100)	126.1	128.9	129.2	119.4	111.4	111.9	112.7	110.7	128.3	118.0	109.3

Residential Alterations and Repairs

Current	**Total $ millions SAAR**	100,300	88,900	92,500	97,478	100,004	101,959	102,859	105,210	91,416	97,985	106,239
	Maintenance and Repair	39,500	37,700	37,500	40,081	40,925	41,463	42,116	42,898	35,990	39,992	43,300
	Additions and Alterations	42,400	36,100	37,300	38,978	40,184	40,999	41,171	42,183	38,662	39,365	42,584
	Major Replacements	18,400	15,100	17,700	18,420	18,896	19,497	19,573	20,129	16,766	18,628	20,355
Constant	**Total Millions $1982 SAAR**	89,910	81,090	80,900	84,410	85,740	86,550	86,450	87,550	82,165	84,400	87,950
	Maintenance and Repair	35,410	34,390	32,800	34,710	35,090	35,200	35,400	35,700	32,540	34,450	35,850
	Additions and Alterations	38,010	32,930	32,620	33,750	34,430	34,800	34,600	35,100	34,435	33,905	35,250
	Major Replacements	16,490	13,770	15,480	15,950	16,200	16,550	16,450	16,750	15,190	16,045	16,850

Retail Trade Activity

Current	**Total $ millions SAAR**	1,486,596	1,485,648	1,469,808	1,503,808	1,540,352	1,524,075	1,528,895	1,545,546	1,445,875	1,509,511	1,555,689
	Total Minus Automobile	1,122,908	1,133,900	1,155,900	1,164,940	1,175,536	1,180,918	1,187,707	1,198,152	1,117,943	1,169,323	1,206,405
	Building Material, Hardware, Garden Supply, Mobile Home	88,884	89,488	91,132	89,596	89,696	90,646	91,128	91,948	88,009	90,267	92,707
	Building Material and Supply	62,956	64,584	69,660	68,976	70,796	71,623	72,005	72,756	65,529	70,264	73,604
	Hardware	11,832	11,748	12,092	12,108	11,764	11,811	11,873	12,044	10,700	11,944	12,156
Constant	**Total Millions $1982 SAAR**	1,389,643	1,381,478	1,346,715	1,359,304	1,381,056	1,352,933	1,343,774	1,344,959	1,359,694	1,360,082	1,346,953
	Total Minus Automobile	1,064,708	1,069,709	1,069,597	1,063,876	1,067,051	1,061,323	1,056,856	1,055,594	1,057,464	1,065,462	1,057,512
	Building Material, Hardware, Garden Supply, Mobile Home	84,518	83,480	84,277	82,553	82,039	82,087	81,707	81,625	83,303	82,739	81,883
	Building Material and Supply	59,866	60,242	64,420	63,551	64,792	64,900	64,600	64,500	60,490	64,416	64,725
	Hardware	11,251	10,960	11,182	11,157	10,764	10,700	10,650	10,675	10,640	10,951	10,688
	Building Materials % of Total Less Automobile ($Current)	5.61	5.70	6.03	5.92	6.02	6.07	6.06	6.07	5.86	6.01	6.10

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

No recession, but consumer confidence is shaken

(Continued from page 18)
5 percent. This makes existing homes more attractive to home buyers, especially when they are trying to limit monthly payments and reduce long-term risks.

Affordability

Affordability is the ratio of average household income to monthly mortgage payments, thereby measuring the ability of households to take on new mortgages. For the measure used in this report, we assume that households make a down-payment of 25 percent on a home, and have a conventional, fixed-rate mortgage of 25 year's duration.

Personal-income growth slowed in recent years, as the maturing economic expansion began to grow less rapidly beginning in the second half of 1984.

Two major problems for income growth in recent years was the high value of the dollar that limited domestic production and the fall in imported oil prices that softened the economies of energy-producing areas. In the past year, average household income grew only 4 percent; in mid-1984, it was rising at an 8 percent rate.

New home prices rose rapidly in the current recovery, especially in the Northeast. Rising home prices were not driven by general inflationary pressures in building materials however, but by land prices, increased size of new homes, additional amenities and labor costs. In 1986, median new-home prices rose 9 percent nationally.

Resale prices have been pulled up by higher new-home prices, although they have not increased as rapidly. During the 1970s, new-home prices rose 11.1 percent annually; resales were about the same 11 percent. But since the economic expansion began in 1982, new homes rose 7.5 percent per year versus 5.2 percent for existing homes. Buyers ignored the widening gap between new and existing homes in the early stages of the current recovery when incomes increased rapidly. Then, in early 1986 when mortgage rates dropped sharply from energy price cuts, buyers increasingly turned to new homes.

Patterns in affordability during 1987 have been especially favorable for resales, as new home prices have continued to climb rapidly in an environment of generally rising mortgage rates.

While new home affordability fell sharply from April to June and then stayed near the lower level through August, resale affordability remained high because of lower price increases.

Resales are a far more important indicator of future building material sales than new home sales or housing starts. Because of rising mortgage rates and possible cutbacks in consumer confidence, the housing industry will suffer to some degree in 1987 and 1988. As consumers shift to less expensive purchases to reduce risk and increase savings, resales will become increasingly attractive to home buyers because of their affordability edge over new homes. While resales are likely to edge lower in 1988 because of higher mortgage rates, they will not be as soft as new homes.

For building material retail sales, continued strength in resales in the second half of 1987 and a small decline in 1988 point to strong building material sales through 1988. In short, dollar sales volume should be up 7 percent in 1987 and 5 percent in 1988.

HWI posts highest sales in its history

By an NHCN staff editor

INDIANAPOLIS — Hardware Wholesalers Inc., (HWI) posted its highest sales and member rebates in its history while reducing overhead expenses.

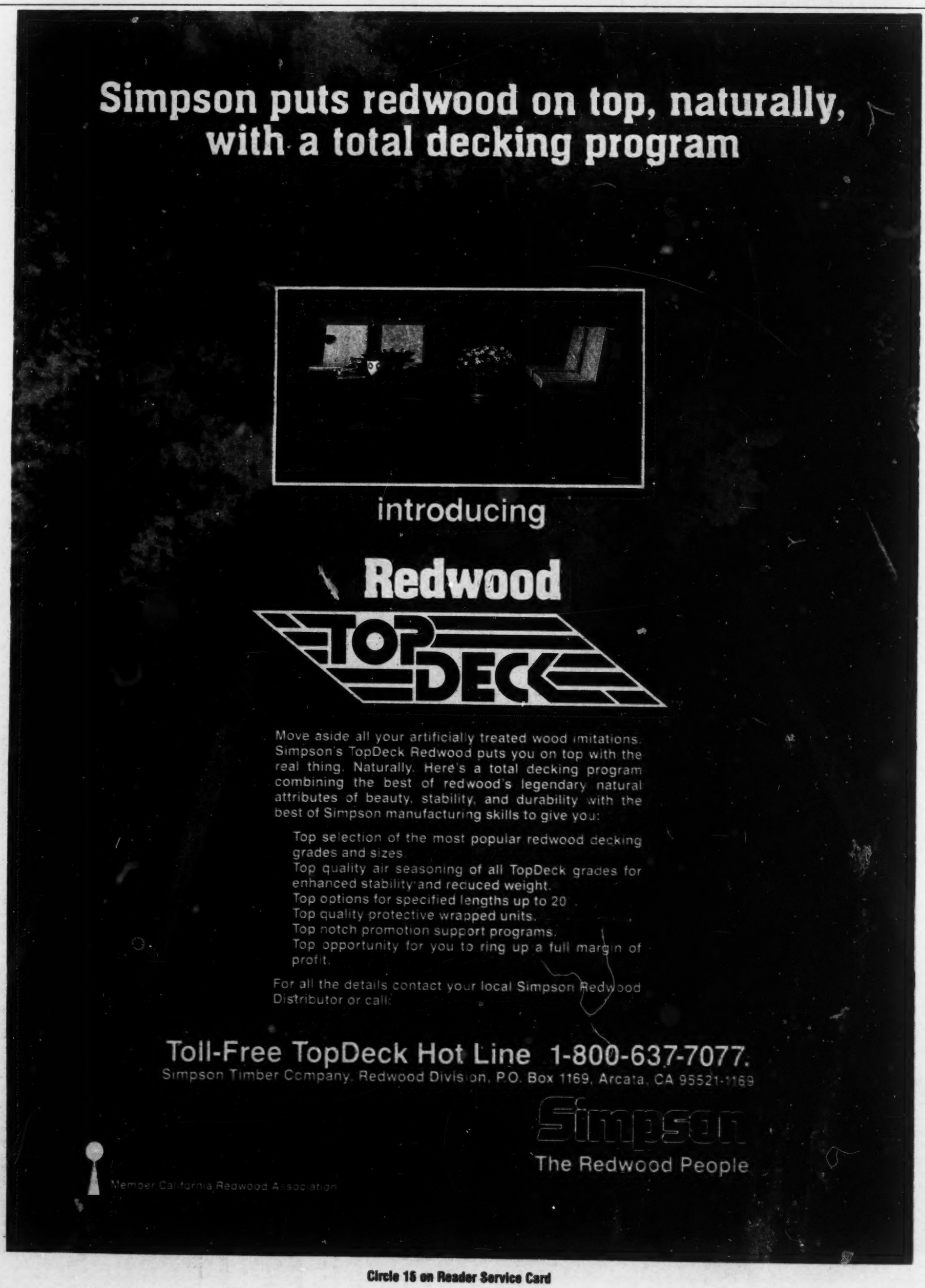
In its annual report presented to members last month, HWI reported $831 million in gross sales for the fiscal year ending June 30, versus $747.2 million in 1986. Profit for the 2,700-member co-op rose to $72.2 million in 1987 compared to $60.4 million last year and shareholder refunds increased to $39.9 million versus $34.7 million paid to members last year. The refund will be paid 45 percent in cash and 55 percent in preferred stock.

Stockholders approved a change in the co-op's bylaws Oct. 19 that will pass on higher rebates in future years. Mike McClelland, the co-op's executive vp, said changes in Indiana law and federal tax law mandated the co-op pay higher rebates or pay higher taxes.

He said in order not to deplete capital needed for inventories, the bylaw change would probably result in a higher ratio of refunds paid in preferred stock.

Overhead as a percentage of sales dropped for the wholesaler from 3.8 percent in 1985 to 3.6 percent in 1987. Operating expenses rose to $28.7 million, a 17 percent increase over 1986, due to the opening of HWI's sixth warehouse in Columbia, S.C.

According to treasurer Richard Parker, available cash at year's end was $22.9 million, down $1 million over 1986 because of improvements forced by insurers at two DCs.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HOUSING WATCH

Consumers ponder future after stock market crash

(Continued from page 1)

Historically, when consumers feel wealthy, spending rises about five cents for every dollar of increased wealth over a 12- to 18-month period, says Stephen S. Roach, principal economist with Morgan Stanley & Co. in New York. Such a spending boom has been going on in this country for the past five years.

Now, economists say, the boom is over.

There are indications that consumers are preparing to pull back.

In a poll by the Chicago research firm of Leo J. Shapiro & Associates, taken immediately after the crash and in subsequent days, respondents said they weren't directly affected by the crash. But they also indicated that major purchases might be deferred.

A Wall Street Journal-NBC News poll of 2,394 people nationwide shows that nearly two out of three believe a major economic downturn is very or somewhat likely in the next 12 months. Only one in five thinks the economy is now good, compared with one in three 18 months ago.

What that means, economists say, is that retailers should be cautious.

"If I were a retailer right now...I would have very careful inventory control," says Marcus, "I would keep inventory low."

Over the next five years, there will be "an intensely competitive market for retailers," says Lynn O. Michaelis, chief economist for Weyerhauser.

Retailers considering expansion, especially in the Northeast, "should think twice. They should be very careful." Michaelis predicts that the Northeast—which has enjoyed the biggest boom and which has a high concentration of stock market investors—will be the hardest hit.

That thought comforts some retailers.

"With the majority of our stores in small-town America, we're in good shape," says Cliff Oxford, Lowe's vp-investor relations.

Oxford says Lowe's sales were off during the week of the Oct. 19 crash, but picked up over the weekend and remained strong the week of Oct. 26.

Bernie Marcus, chairman of Home Depot says sales in his stores continue to grow. And he chides the media for fueling recession fears.

Like many retailers, Marcus is optimistic that if there is a recession and home buying falls, household repair sales will still do well.

"People worried about their jobs are not going to pay $130 to put a part in. They're going to do it themselves," he says. "If a toilet overflows, you've got to fix it, or you better be a swimmer."

But some economists warn that large, elective remodeling jobs will be postponed.

Weyerhauser's Michaelis estimates that real growth in owner-occupied home remodeling and repair will fall from between 10 and 15 percent annually to between 2 and 3 percent over the next two to three years.

Beyond consumer perceptions about the economy, experts say there are real problems.

Most pressing are the twin deficits. The federal deficit now stands at roughly $160 billion, the trade deficit at about $15.7 billion.

To cut those deficits, especially domestically, "the country has to cut back on spending, or raise more money," says Leonard Lodish, chairman of the marketing department at the University of Pennsylvania's Wharton School of Finance

The U.S. House of Representatives has already approved a $12 billion tax increase designed to help trim the federal deficit by $14.4 billion. So far, the increases are not directly aimed at consumers. But economists say further tax increases are likely. And, though interest rates have fallen since the crash, economists expect them to bounce up again.

Predictions are that 30-year fixed-rate mortgages will stabilize between 10.5 and 11 percent. While far from the exorbitant rates of the early 1980s, such interest is enough to turn consumers off on major postponable purchases and dampen remodeling enthusiasm.

Says Morgan Stanley's Roach darkly: "The key is the consumer, and the consumer's in trouble. We're looking at a much weaker economic environment that we have previously seen."

Housing start figures revised down for 1988

By an NHCN staff editor

WASHINGTON — Housing start figures for 1988 were revised downward, as the National Association of Home Builders gathered here for its semi-annual construction forecasting conference.

Estimates ranged from a low of 1.4 million, projected by Stephen S. Roach of Morgan Stanley & Co., to the 1.6 million projected by James W. Christian, chief economist for the U.S. League of Savings Institutions. Starts would be flat from this year, at 1.6 million.

The NAHB estimate was 1.45 million starts for 1988, and 1.40 million for 1989.

"That's a downward trend, but clearly not what we would consider a housing recession," said NAHB chief economist David Seiders.

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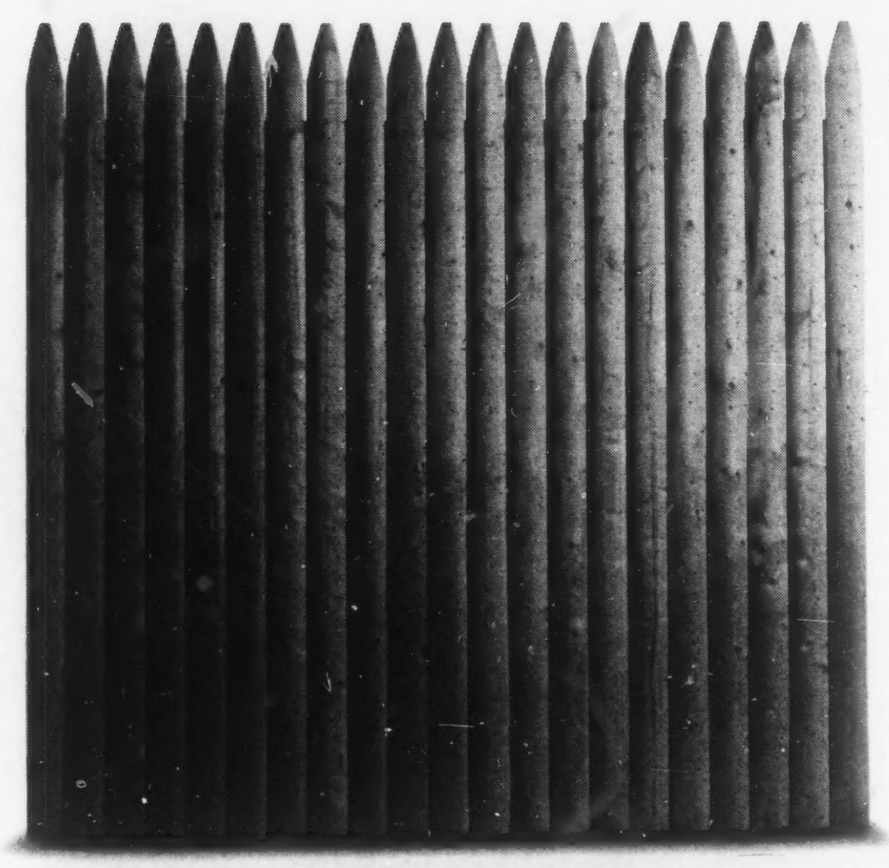

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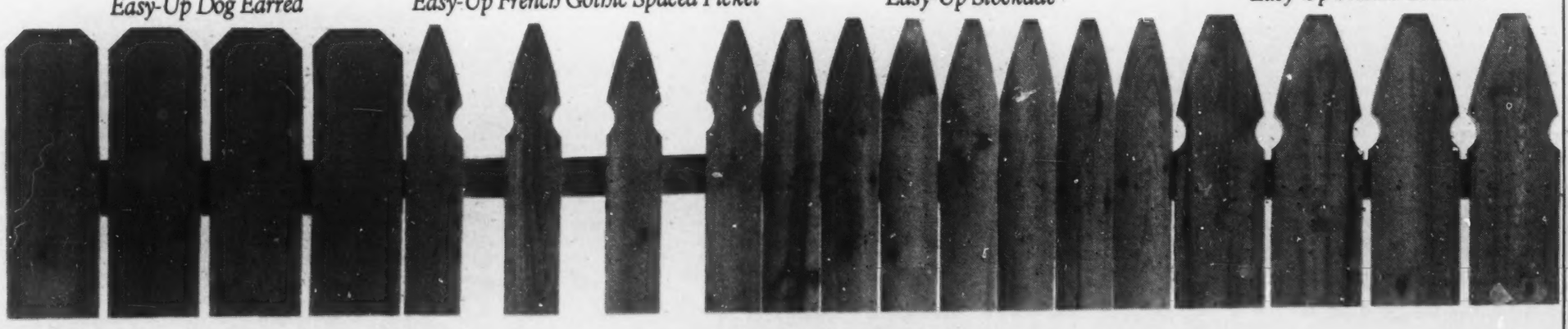

Circle 19 on Reader Service Card

National Home Center News • Section Two

Perspectives

DEALERS BOLSTER COMPENSATION TO CONFRONT SHRINKING WORK FORCE

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Perspectives

DEALERS BOLSTER COMPENSATION TO CONFRONT SHRINKING NATIONAL WORK FORCE

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Come next summer, workers at Essen Hardware's nine stores will participate in a profit-sharing plan for the first time.

"It's a necessary thing," said Max Hagerman, vice president of the $12 million chain based in the St. Louis suburb of Brentwood, Mo.

"Big companies have grown by getting people involved," he said. "The employees should have some degree of feeling that they are part of our organization and have a share in the good and the bad."

Attracting new employees in a tight labor market.

Retaining the good ones.

Those are two challenges that are causing retailers to put new spark in their salary, bonus and benefit packages.

A survey of building material retailers just completed for *National Home Center News* provided the following insights:

Among the findings of this year's survey:

- Payroll accounts for some 14.9 percent of total revenues. This makes the expense the highest of any, except for cost of goods sold.
- Bonuses are becoming more important for upper and middle management personnel. More than two of three respondents said bonuses were more than ever an important management motivator.
- Medical reimbursements remain the most popular benefit, and management personnel receive broader medical coverage than do non-management employees. Over 80 percent of both groups receive major medical, hospital coverage and surgical coverage.
- The South is rewarding its top officers with higher bonuses than in the past. Benefits still trail behind those offered in the rest of the nation.

Responses to the survey were made on a confidential basis, and were primarily from mid-sized and small retailers. Subsequent to the completion of the survey, retailers were contacted by telephone and their comments included in this article shed additional light on the results of the survey.

Salaries on the way up

Of the respondents to the survey, 57 percent said they had increased their payroll in 1986. The average increase was 6 percent, an amount well ahead of the inflation rate. This suggests retailers are feeling some pressure to retain good employees.

"Salaries have been forced up in the past few years," said Norman Zarkin, managing partner at E. J. Rhodes Associates, New York, commenting on the results of the *NHCN* survey. He said that the driving force was the shortage of labor in many parts of the country.

"You won't find salaries going down in the future," he added. As for retailers who want to counteract the effects of higher payroll on their earnings, "the answer is better productivity and higher sales volume."

Wages fill employees' pockets. Bonuses make them work harder.

So goes the theory that has gained credence in the economy, and the home center industry is no exception.

Of respondents to the survey, 68 percent said that bonuses had become a more important motivating factor for their upper management. In a reflection of this change in mentality, over the past two years bonuses increased by an average of 50.6 percent for ceos.

"Retailers are in general tying incentive compensation to productivity," said Jack Fraser, vp of personnel and operations at the National Retail Merchants Association, New York.

"This is a growing trend, and it's going down to lower levels of management."

Zarkin of E.J. Rhodes added that several years ago bonuses might have represented 15 percent to 20 percent of base pay, but now they can often represent a doubling of salary.

"Companies are also worried about increasing payroll expense," noted Jill Kanin-Lovers, vp at TPF&C, a management consulting firm in New York. Using bonuses can help trim total payroll costs in times when earnings are not up to plan.

Only one out of three respondents said bonuses had become more important for store managers, a reflection of the fact that bonuses have long been considered vital for store manager performance. Over the past two years, bonuses increased by 42.9 percent for store managers.

Store managers receive bonuses more often than any other category of employee, according to the survey. Some 60 percent of respondents awarded bonuses to store managers, while only 42 percent awarded bonuses to chief executive officers.

"The store manager's actions have the largest degree of benefit to the performance of the stores," said Don Cohen, president of Tool King, the chain of seven stores based in Denver.

"As the store manager goes, so goes the store. Plus, you want something that will make other people want to become store managers."

While long-term performance is becoming a more important factor in determining bonuses at larger firms outside the home center field, it seems as though the factor hasn't caught on with respondents to the survey. Of those respondents providing bonuses to top management, 63 percent did not provide incentives for long-term performance.

Wolohan Lumber, Saginaw, Mich., has provided a long-term parameter—strength of earnings increases—for its a bonuses for several years.

"It gives you a long term look," said Robert F. Anderson, cfo for Wolohan, in a telephone interview with *NHCN* after the survey was completed. He added that new stores can impact short term earnings, but that a company needs to have new stores all the time to increase profits over the long term. So the longer-term earnings parameter is important.

Medical benefits find most favor

Medical coverage was the most commonly encountered benefit of all, and major medical, hospital and surgical coverages were the most popular subcategories. Over 80 percent of respondents said that they offered these three categories of benefits to both management and non-management personnel.

However, management-level personnel were more commonly offered other categories of benefits. Of the respondents, 68 percent offered accidental death and dismemberment to management personnel, but only 59 percent offered it to non-management. As for company-paid life insurance, 59 percent offered it to management personnel while 47 percent offered it to non-management.

These survey results didn't surprise Dwain A. Newman, president of National Home Center, a $68 million chain based in Springdale, Ark. "Our ambition is to cover all departments and key members of management with benefits," he said. "If we don't have good department heads, whatever else we do won't make any difference."

In the financial areas, profit sharing plans were the most important benefit. Some 42 percent of respondents had a profit sharing plan, compared with only 22 percent with pension plans.

"Profit sharing plans are important to customers," said Anderson of Wolohan Lumber, which has such a plan. "They can make employees want to make the company profitable, so they give the customers service."

Hancock Lumber, Casco, Maine, also offers profit sharing.

"We expect our people to work with us to make a profitable operation," said Rich Merk, Hancock's senior vp administration, in explaining the philosophy of the plan.

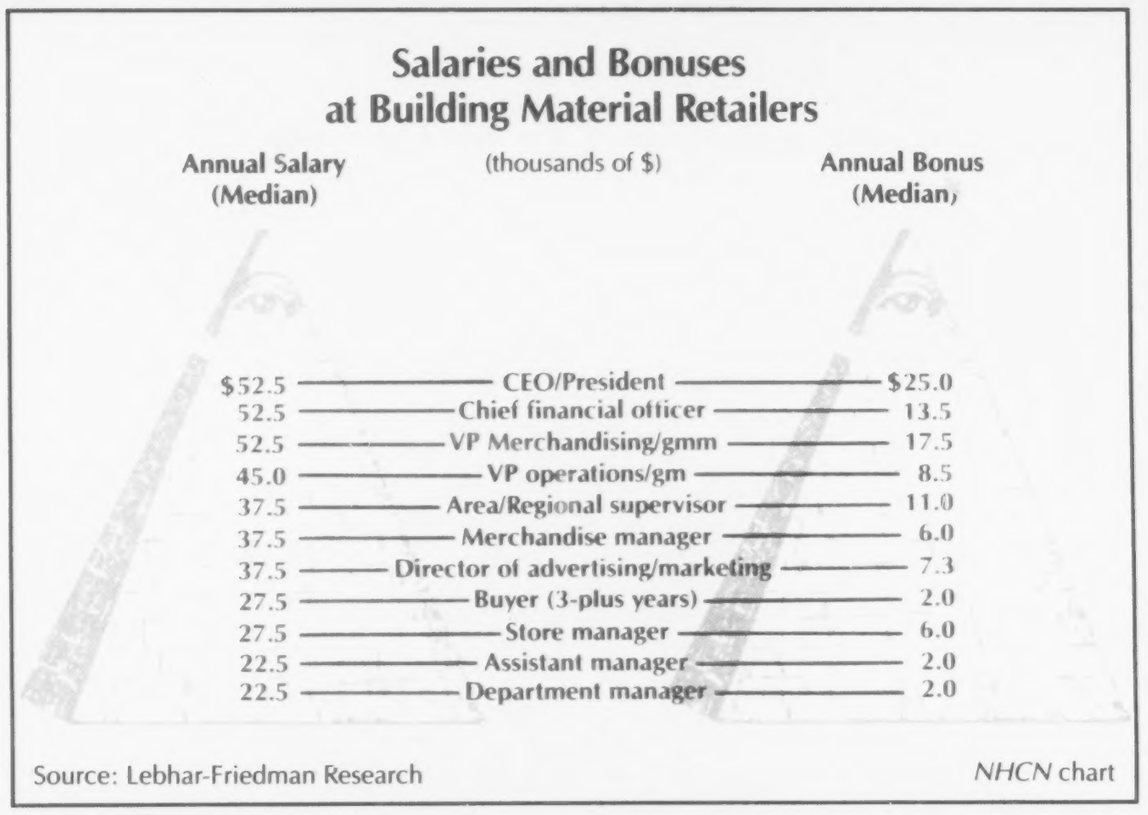
In the area of pension plans, it seems defined contribution plans haven't yet caught on at a majority of the building matrial retailers participating in the survey, though they are gaining in popularity in the business world in general.

Of the retailers offering such plans, 65 percent defined them as "defined benefit" which 30 percent said they were "defined contribution" plans.

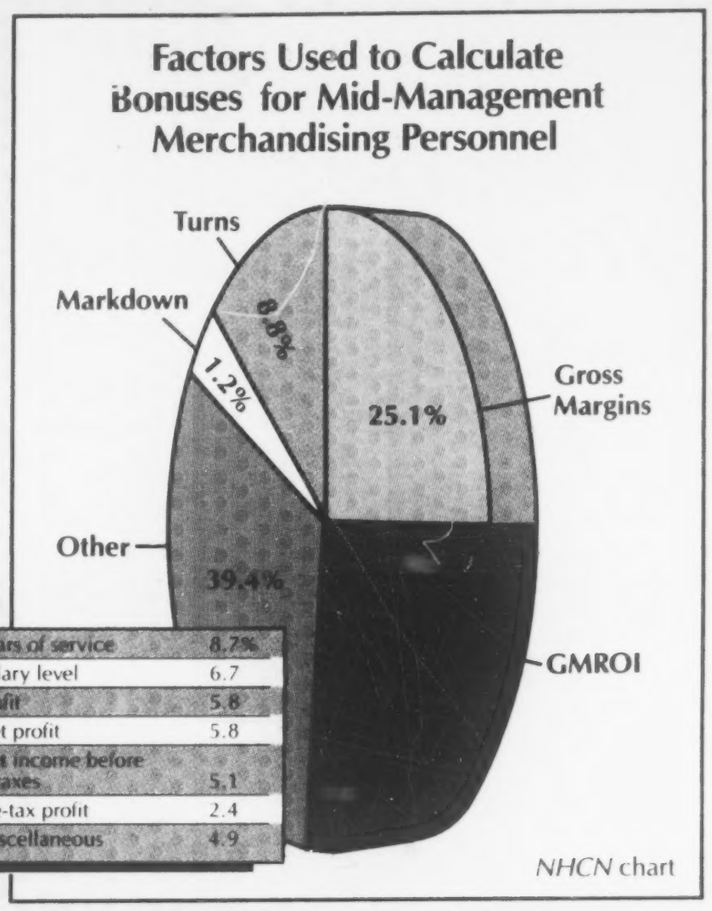
Defined benefit plans provide a guaranteed payment to retired employees. Defined contribution plans, on the other hand, do not provide such guarantees. Payments to retirees are determined by how well the company's investments with the pension plan funds have done through the years.

Defined benefit plans offer a more concrete-payment schedule to employees, while defined contribution plans are favored by employers because they relieve much of the pressure for pension fund performance.

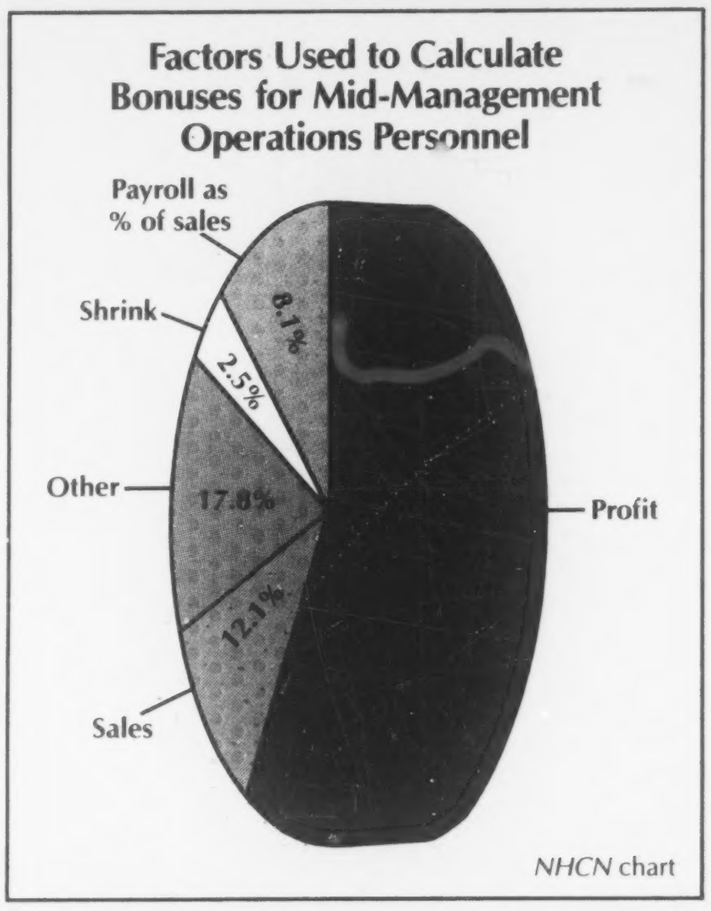
Some employees may also prefer defined contribution plans because they can receive their retirement nest egg in one lump sum rather than in installments required by the defined benefit plans.



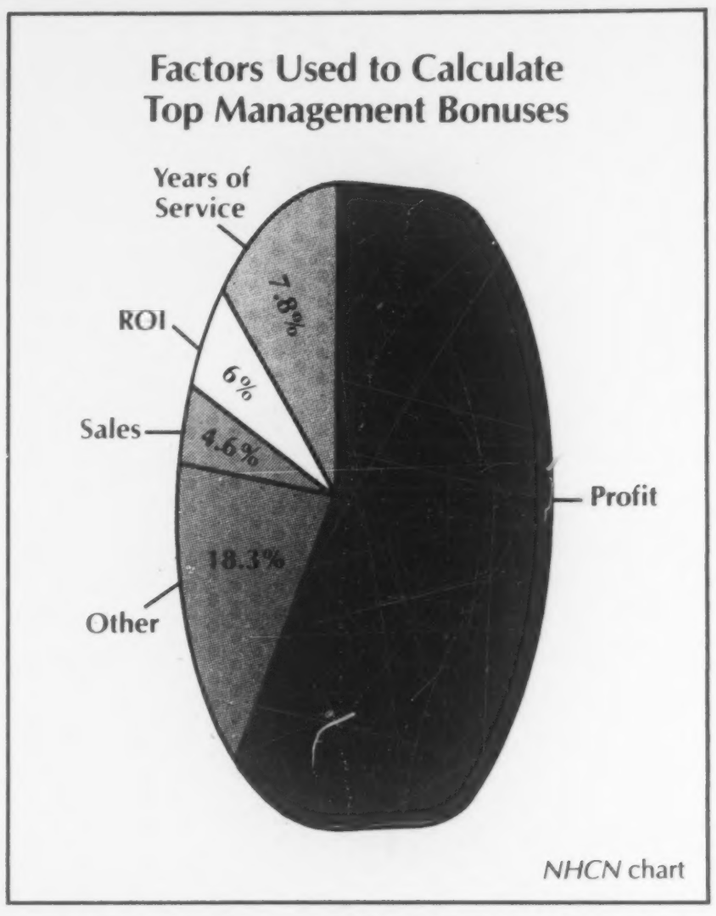
Median annual salaries range from $22,500 for department managers to $52,500 for chief executive officers, according to a new survey completed by Lebhar-Friedman Research.



Gross margins and GMROI were the main factors for bonuses among merchandising personnel.



For mid-management operating personnel, profit and sales were the key determinants for bonuses.



Profit was clearly the primary determinant of bonuses for top management.

Bonuses rise, become performance incentive

By an NHCN staff editor

Bonuses are on the rise, as retailers try to motivate their employees toward better performance.

Over the past two years, bonuses have increased the most for chief executive officers and presidents. Their bonuses increased by 50.6 percent, with the median coming to $25,000.

Area supervisors received 48.6 percent increases in bonuses, with the median being $11,000.

Store managers' bonuses rise

Store managers have long been the most common recipients of bonuses, since retailers feel they have the most direct control over a unit's performance.

Their bonuses increased by an average of 42.9 percent, to a median of $6,000.

Bonuses as a percentage of store manager salaries for the middle-sized and smaller retailers responding to the survey doesn't differ much from the retail industry in general. E.J.Rhodes, New York, said such bonuses normally run from 10 percent to 25 percent of base salary.

Methods Used to Calculate Bonuses for Non-Management Store-Level Personnel.

(Percentage of respondents saying that criterion was among those utilized.)

Criteria	Percent
Percent of profit	42%
Salary level	36
Percent of sales	11
Return on investment	11
Percent of sales over specified quota	9
Gross margin	8
Years of service	8
Other	4

Source: Lebhar-Friedman Research NHCN chart

Profit was given 63.2 percent of the total weight in factors determining bonus size for top management.

As for bonuses awarded to mid-management personnel in operations, profit was given 59.5 percent of the weight in factors determining size, while sales was given 12.1 percent.

How Bonuses Have Increased in Size

(1987 vs. 1985)
(% increase)

CEO/president	50.6%
Chief financial officer	32.4
VP merchandising/ general merchandise mgr.	59.1
Area/regional supervisor	48.6
Store manager	42.9

Source: Lebhar-Friedman Research NHCN chart

Most levels of management showed impressive increases in bonuses from 1985 to 1987.Profit achievement and current salary levels were key determinants of bonus levels for non-management store level personnel.

Gross margin, and gross margin's return on investment, together accounted for over half the weight in factors determining bonus size for mid-management personnel in merchandising.

Long-term performance was used as a bonus criteron by only 14 percent of those respondents with bonus programs for management.

"People have a better feel for things that happen in a shorter period of time," said Don Cohen, president of Tool King, Denver. Yet the danger of too little attention to long-term results was cited by Cohen as "the offset to the benefit" of not providing long-term parameters for bonuses.

While bonuses can motivate employees to perform better, one personnel consultant noted that companies can gain some financial flexibility from them as well. This may indicate the next step ahead for the building material industry.

"Many companies are also introducing bonuses at lower levels, in lieu of salary," said Steve Langer, president of the Crete, Ill.-based consulting firm Abbott, Langer & Associates. The motivation here is to establish a payroll that shifts with the changing fortunes of the company.

"If there is a business downturn, then they aren't stuck with the high salaries to pay," said Langer.

Home centers put premium on merchandise talent

By an NHCN staff editor

Home center chains pay more for merchandising talent than do lumberyards. That should come as no surprise, given the greater need for merchandising in home center showrooms.

For merchandising personnel, the message in this year's *NHCN* compensation survey is the same as the one from the survey of 1985, which was also conducted by Lebhar-Friedman Research: go where your skills are needed the most.

For the group of responding retailers, the median salary for a vp merchandising/gmm came to $52,500. But for home centers the median was $65,000.

Merchandise managers were paid a median of $37,500 for the group as a whole, but $45,000 at home centers.

To a large extent, payroll's impact on earnings is a function of the home center's size.

Payroll accounted for 14.9 percent of revenues at the mid-size and small retailers who responded to this year's survey.

For larger home centers, payroll runs from 9 percent to 10 percent of revenues, according to E.J. Rhodes, New York. Warehouse home center chains may dedicate 10 percent to 11 percent of revenues to payroll.

For companies responding to the survey, store managers received median annual salaries of $27,500. In contrast, E.J.Rhodes reported that larger home center chains will pay store managers $31,000 to $40,000 in salary, and warehouse home centers and the more successful home centers of traditional design may pay between $40,000 and $50,000.

For full-time store help, pay came to $5.08 per hour nationwide for wage earners just starting as cashiers.

Starting store clerks received a median of $4.66, an amount which increased to $5.58 after one year and $6.35 after three years.

Respondents reported they paid less for part-time employees. Cashiers were paid $4.06 an hour on a part-time basis. Starting store clerks were paid $4.10 an hour, and up to $5.50 an hour for those with three years at the company.

Hourly Wages of Store-Level Employees

Full-Time Employees	Hourly Wages
Store Clerk (3 years w/company)	$6.35
Store Clerk (1 year w/company)	5.58
Store Clerk (starting salary)	4.66
Cashier	5.08
Part-Time Employees	
Store Clerk (3 years w/company)	5.50
Store Clerk (1 year w/company)	4.82
Store Clerk (starting salary)	4.10
Cashier	4.06

Source: Lebhar-Friedman Research NHCN chart

Full-time employees generally receive greater wages than do their part-time counterparts. Experienced store clerks receive $6.35 per hour on a full-time basis but $5.50 per hour on a part-time basis.

Medical coverage tops list of benefits most frequently offered by industry

By an NHCN staff editor

Home centers and lumberyards offer medical benefits more often than life insurance or pension plans, according to the *NHCN* survey.

Flexible benefit plans still have not caught on in the industry, however. Only 9 percent of the respondents offered such plans.

The most likely reason is the complexity of administering such plans, particularly for medium-sized and small retailers.

Home centers and lumberyards are in agreement in favoring profit-sharing plans over pension plans.

Of the respondents to this year's survey, 42 percent of both groups of retailers said that they offered profit sharing plans. And 22 percent of both groups offered pension plans.

Yet, home centers and lumberyards seem to be on opposite sides when it comes to the use of stock option plans.

Only 5 percent of the home centers offer such plans to their employees, while 12 percent of the lumberyards do so. The greater participation on the part of lumberyards is likely due to the fact that many such yards are family owned, and have been in existence for more than one generation.

In the area of life insurance, 59 percent of respondents offered company-paid plans while 24 percent offered contributory plans. These results did not differ markedly for home centers and lumberyards.

Benefits Provided to Management-Level Employees
(% Offering Benefit)

	Total	Home Centers	Lumber/ Building Materials
Medical			
Major medical	90%	85%	96%
Hospital coverage	84	80	90
Surgical coverage	82	78	88
Accidental death and dismemberment	68	63	72
Short-term disability	46	42	52
Prescriptions	45	44	52
Long-term disability	39	46	36
Dental plan	28	34	28
Life insurance			
Company paid plan	59	58	60
Contributory plan	24	29	24
Financial services			
Profit sharing	42	42	42
Pension plan	22	22	22
Stock option/ownership plans	10	5	12
Savings plans/investments	12	20	6

Source: Lebhar-Friedman Research — *NHCN* chart

Key Benefits Offered To:

	Management Personnel	Non-Management Personnel
Major medical	90%	88%
Hospital coverage	84	82
Surgical coverage	82	80
Accidental death & dismemberment	68	59
Company paid life insurance	59	47
Profit sharing	42	31

Source: Lebhar-Friedman Research — *NHCN* chart

Medical reimbursements were by far the most popular benefits for management-level employees. Management also received a broader spectrum of medical benefits than did non-management personnel.

Bonuses rise in South

By an NHCN staff editor

NATIONAL REPORT — After years in which compensation in the South has run under that of other parts of the nation, change is underway.

The survey of building material retailers conducted for *NHCN* shows bonuses have increased in the South, although benefits still trail other regions.

Results of the survey show that bonuses at Southern companies have gone as high as $55,000.

Store managers received median bonuses as high as $11,000.

Retailers in the South, interviewed by telephone after the survey had been completed, said pressure was also being brought to bear on wages for entry-level positions.

"People who have been coming here from other areas have been used to making more money," said Larry Peeno, vp finance for Causeway Lumber, a $41 million chain of three stores based in Ft. Lauderdale, Fla. "And also there is a shortage of labor that has forced wages up."

Supply and demand was cited by other retailers as well.

"In Arkansas, as close as we are to Oklahoma, you'd think wages would be hanging in there," said Dwain A. Newman, president of National Home Center, a $68 million chain of four stores based in Springdale, Ark.

In fact, said Newman, the chain has to pay increasingly more to get the number and quality of employees it needs.

Northeast leads in compensation study

By an NHCN staff editor

NATIONAL REPORT — *NHCN's* survey of retail stores in the Northeast shows that employees there typically get the most favorable compensation of any region in the nation.

Some of the comparisons are striking. For example, chief executive officers get a median of $75,000 in salaries in the Northeast, $52,500 in the Midwest and $47,500 in the West.

As for chief financial officers, their salary comes in at a $61,300 median for the Northeast, and $52,500 for the both the Midwest and West.

Store managers are paid a median of $37,500 in the Northeast, but only $32,500 in the West and $22,500 in the Midwest.

Wages have always been high in the Northeast, and the tight labor conditions that region is now experiencing should only add further upward pressure on paychecks.

Retailers of all kinds have put "help wanted" signs in their windows.

"It's difficult to bring in truck drivers or clerks at any level," said Robert S. Koebele, vp-finance for General Building Products, a $57.4 million chain based in Medford, N.Y. General hasn't experienced wage hikes as a result of the shortage. But other retailers in New England aren't so sure wage hikes won't need to result from the continuing crunch.

> "It's difficult to bring in truck drivers or clerks at any level."
>
> —**Robert S. Koebele,** *vp-finance, General Building Products,*

Bonuses better in Northeast

Bonuses are also higher in the Northeast than in other parts of the country. For chief executive officers, the median bonus comes to $32,500, higher than the $25,000 median bonus awarded to their conterparts in the Midwest and the $11,000 for ceos in the West.

It's also true that Northeast home centers feel bonuses are more important than ever for mid-management employees. Some 79 percent of Northeast respondents felt that way, compared with only 52 percent of Midwestern respondents and 60 percent of Western ones.

Benefits find more favor at Northeast respondents than elsewhere in the nation. The greatest disparity was in the category of financial services, where 84 percent of Northeastern respondents offered some financial benefit (such as profit sharing or pension plans) to management-level employees. In contrast, only 73 percent of Western respondents did so, and only 48 percent of Midwestern ones.

National survey completed in October

By an NHCN staff editor

NATIONAL REPORT — The data included in the charts and stories in this special section were derived from a new compensation study completed in October for *NHCN* by Lebhar-Friedman Research, New York.

The survey involved mailing 472 questionnaires to the chief financial officers, comptrollers and directors of personnel at building material retailers throughout the United States.

The names were taken from the "Directory of Home Center Operators and Hardware Chains," published by Lebhar-Friedman, the parent company of *NHCN*.

A total of 102 questionnaires were returned, representing a response rate of 22 percent.

Of the respondents, 49 percent described their stores as home centers, 40 percent as lumberyards and 9 percent as hardware stores.

Annual volumes of less than $25 million were reported by 79 percent of respondents. And 77 percent operated fewer than five stores.

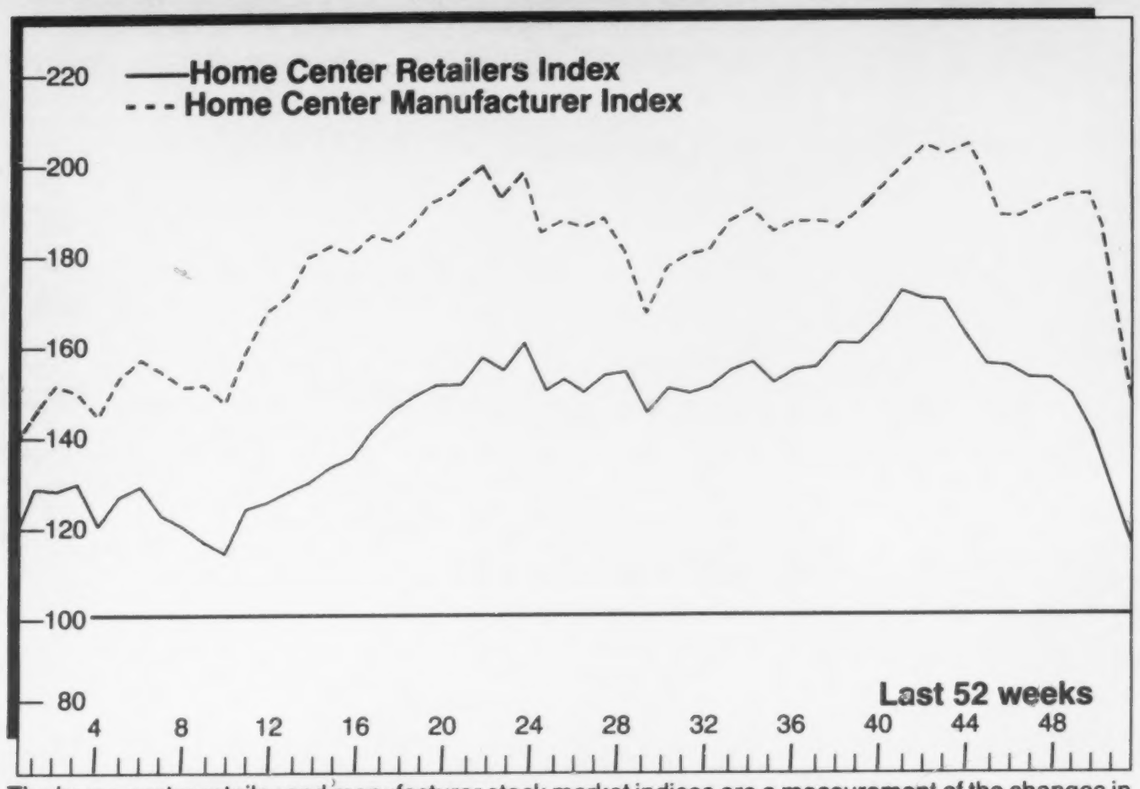
Respondents employed a median of 19.2 full-time employees, and a median of 3.0 part-timers.

The typical store had a median of 11.9 full-time employees and a median of 2.4 part-timers.

About one of five respondents employed some unionized employees. But less than one-fourth of the employees at such companies actually belonged to the union.

NCHN has published detailed findings from the survey in a report called "Confidential Study on Wages and Benefits." The report includes data from a similar survey conducted in 1985. In line with the confidential nature of the survey, participants' names are not included. The 105-page report is available for $150 from The Publisher, *National Home Center News*, 425 Park Avenue, New York, N.Y. 10022.

FINANCIAL NEWS

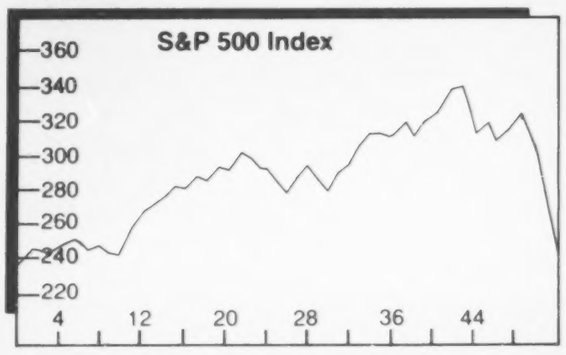


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-30-87	(100)	%	%
Thos Inds ..... N	4,427	498.6	- 15.1
Natl Hardgoods ..... M	899	481.6	- 26.9
Ply-Gem ..... A	8,959	460.8	- 28.4
Moore Handley ..... M	586	446.5	- 47.1
Wickes Cos ..... N	67,139	394.4	- 35.4
Owens Corn ..... N	62,245	367.9	- 25.3
Nortek Inc ..... N	15,395	365.2	- 41.7
Certain-teed ..... N	6,224	355.6	- 21.2
Pope & Talbot ..... N	10,730	355.6	- 29.2
Natl Lumber ..... M	1,059	347.6	- 18.4

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 10-30	2-Week Price Change	Total 2-Week Volume
10-30-87	$	%	(100)
Moore Handley ..... M	4.50	- 47.1	586
Nortek Inc ..... N	7.00	- 41.7	15,395
Gen Bldg Prods ..... M	5.25	- 36.4	1,308
Wickes Cos ..... N	9.13	- 35.4	67,139
Clairson Intl ..... M	6.00	- 35.1	1,657
Pay n Pak ..... N	12.00	- 35.1	1,613
Macmillan Bloedel ..... M	14.13	- 31.1	25,537
Strober Organiz ..... M	8.00	- 30.4	2,186
Stanline Inc ..... M	7.50	- 30.2	654
DeSoto Inc ..... N	24.75	- 29.5	1,562

National Home Center News

HOME CENTER MARKET SUMMARY

Stock Market

Company and Market	2-Weeks Ended 10-30-87	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio
-	$	$	%	$	$	$	$	(100)	%	%	%	-
Retailers												
Gen Bldg Prods ..... M	5.25	- 3.00	- 36.4	7.50	4.50	12.50	4.50	1,308	3.27	.91	259.3	7.4
Grossman's Inc ..... M	6.13	- 1.25	- 16.9	6.25	4.75	11.25	4.75	15,521	5.94	2.68	121.6	19.1
Hechinger A ..... M	15.75	- 2.50	- 13.7	17.75	15.25	26.50	15.25	11,719	10.72	7.13	50.4	NA
Hechinger B ..... M	17.00	- 2.25	- 11.7	18.00	16.50	26.75	16.25	2,114	1.31	.36	263.9	15.3
Home Depot ..... N	16.25	- 3.75	- 18.8	18.63	12.13	28.09	11.59	36,543	8.27	2.62	215.6	18.1
INTERCO Inc ..... N	36.00	- 6.75	- 15.8	42.25	31.00	54.00	31.00	19,072	4.79	1.25	283.2	10.4
K mart Cp ..... N	29.00	- 5.00	- 14.7	33.13	21.63	48.38	21.63	128,142	6.36	2.16	194.4	9.0
Lowe's Cos ..... N	18.38	- 4.13	- 18.3	21.25	16.25	32.75	16.25	19,603	4.95	1.54	221.4	12.6
Natl Hardgoods ..... M	4.75	- 1.75	- 26.9	5.50	4.75	10.00	4.75	899	6.63	1.14	481.6	6.2
Natl Lumber ..... M	3.88	- .88	- 18.4	4.50	3.50	7.50	3.50	1,059	1.88	.42	347.6	NE
Pay n Pak ..... N	12.00	- 6.50	- 35.1	17.13	11.50	21.50	10.63	1,613	1.61	.43	274.4	12.0
Payless Cash ..... N	12.63	- 3.38	- 21.1	16.25	12.00	26.88	12.00	14,667	4.23	2.20	92.3	9.9
Scotty's Inc ..... N	12.13	- 1.75	- 12.6	13.75	10.00	15.88	10.00	4,387	3.00	.79	279.7	16.0
Sears, Roebuck ..... N	36.13	- 5.38	- 13.0	39.50	26.00	59.50	26.00	172,803	4.59	1.37	235.0	8.8
Std Brd Pnt ..... N	21.13	- 2.38	- 10.1	22.50	16.13	31.88	16.13	23,806	21.35	5.30	302.8	15.3
Strober Organiz ..... M	8.00	- 3.50	- 30.4	9.25	6.75	15.25	6.75	2,186	3.60	1.07	236.4	8.4
Wickes Cos ..... N	9.13	- 5.00	- 35.4	13.75	7.25	25.00	7.25	67,139	14.04	2.84	394.4	3.1
Wolohan Lumber ..... M	10.50	- 2.25	- 17.6	11.50	8.75	18.75	7.75	2,990	5.10	2.39	113.4	8.5
Zayre Corp ..... N	18.50	- 6.25	- 25.3	24.13	14.38	37.00	14.38	88,734	15.27	5.15	196.5	6.7
Wholesalers												
Hughes Supply ..... N	21.00	- 3.00	- 12.5	23.63	19.75	30.25	19.75	1,649	4.96	1.24	300.0	9.2
Moore Handley ..... M	4.50	- 4.00	- 47.1	7.25	4.50	9.75	4.50	586	2.35	.43	446.5	17.3
Lewis Palmer ..... M	6.25	- .88	- 12.3	6.75	5.88	9.88	5.88	3,569	8.87	2.41	268.0	16.9
Stanline Inc ..... M	7.50	- 3.25	- 30.2	9.00	7.00	14.00	7.00	654	3.85	1.17	229.1	6.8
Manufacturers												
Am Consum Prods ..... M	9.25	- 1.50	- 14.0	10.25	7.88	14.25	7.88	436	2.10	1.97	6.6	15.2
Am Standard ..... N	36.13	- 6.38	- 15.0	42.00	33.00	55.00	33.00	12,430	3.86	1.51	155.6	9.7
Am Woodmark ..... M	8.25	- 1.25	- 13.2	9.38	7.25	17.13	7.25	944	1.37	.50	174.0	9.2
Armstrng Wrld ..... N	29.75	- 4.25	- 12.5	34.00	22.50	47.38	22.50	32,005	6.75	1.97	242.6	9.6
Black & Decker ..... N	15.75	- 6.25	- 28.4	20.25	13.00	26.50	13.00	39,047	6.72	2.26	197.3	21.9
Boise Cascade ..... N	57.50	- 15.00	- 20.7	70.88	48.00	86.88	48.00	34,820	12.13	2.84	327.1	11.0
Certain-teed ..... N	26.00	- 7.00	- 21.2	32.25	25.00	45.75	25.00	6,224	3.28	.72	355.6	8.3
Champ Intl ..... N	29.25	- 8.63	- 22.[illegible]	34.25	21.75	44.63	21.75	87,311	9.17	2.73	235.9	7.6
Clairson Intl ..... M	6.00	- 3.25	- 35.1	8.75	5.00	18.25	5.00	1,657	3.26	1.55	110.3	14.0
Cooper Indus ..... N	50.63	- 11.75	- 18.8	58.00	39.00	74.50	37.75	27,702	5.54	1.57	252.9	15.2
DeSoto Inc ..... N	24.75	- 10.38	- 29.5	34.88	23.38	43.75	23.38	1,562	3.95	1.04	279.8	15.9
Emhart Corp ..... N	19.25	- 1.75	- 8.3	22.75	15.50	26.63	15.50	23,456	3.75	1.03	264.1	12.5
Georgia Pacific ..... N	33.63	- 4.13	- 10.9	36.50	22.75	52.75	22.75	71,282	6.55	2.29	186.0	8.6
Insilco Corp ..... N	16.38	- 4.13	- 20.1	20.00	14.63	28.13	14.63	7,535	3.61	1.39	159.7	9.6
La Pacific ..... N	28.13	- 3.13	- 10.0	30.00	21.50	39.75	21.50	27,738	7.24	2.88	151.4	9.5
Macmillan Bloedel ..... M	14.13	- 6.38	- 31.1	17.50	12.00	23.50	9.66	25,537	2.51	1.01	148.5	NA
Manville Cp ..... N	2.38	- .63	- 20.8	3.13	2.00	5.38	1.63	19,299	8.04	1.94	314.4	.5
Masco Corp ..... N	24.75	- 2.38	- 8.8	27.25	18.75	40.88	18.75	65,703	4.96	1.51	228.5	13.5
Mor-Flo Inds ..... M	8.00	- 1.50	- 15.8	9.25	7.50	14.38	7.75	132	.53	.34	55.9	NM
Newell Co ..... N	27.25	- 7.63	- 21.9	34.25	24.50	43.00	24.50	3,375	2.94	.83	254.2	11.2
Nortek Inc ..... N	7.00	- 5.00	- 41.7	11.50	5.00	17.38	5.00	15,395	9.77	2.10	365.2	11.7
Owens Corn ..... N	14.00	- 4.75	- 25.3	16.00	9.00	32.38	8.88	62,245	16.61	3.55	367.9	NA
Ply-Gem ..... A	10.38	- 4.13	- 28.4	13.00	9.00	18.13	9.00	8,959	8.02	1.43	460.8	9.3
Pope & Talbot ..... N	12.75	- 5.25	- 29.2	18.75	9.75	27.25	9.75	10,730	8.93	1.96	355.6	5.8
Potlatch Cp ..... N	25.00	- 4.88	- 16.3	29.88	21.00	41.88	21.00	6,967	2.61	1.03	153.4	9.1
PPG Inds ..... N	30.63	- 9.38	- 23.4	39.00	27.50	53.50	27.50	72,675	6.09	1.73	252.0	10.6
Sherwin-Wms ..... N	22.75	- 8.63	- 27.5	30.00	21.75	38.50	21.75	25,230	5.68	1.53	271.2	9.1
Stanley Works ..... N	23.25	- 5.00	- 17.7	28.00	21.25	36.63	21.25	13,000	3.05	.78	291.0	11.6
Thos Inds ..... N	16.13	- 2.88	- 15.1	19.00	15.50	22.63	15.50	4,427	4.43	.74	498.6	10.3
Triangle Ind ..... N	28.00	- 5.25	- 15.8	32.00	22.50	44.00	22.50	9,689	4.01	1.36	194.9	11.1
Union Camp ..... N	33.38	- 6.25	- 15.8	36.75	26.00	48.19	26.00	55,956	7.60	1.90	300.0	14.3
USG Corp ..... N	35.25	- 8.13	- 18.7	41.00	23.50	55.88	23.50	54,576	10.66	4.24	151.4	7.7
Walter, Jim ..... N	59.13	- .38	- .6	60.00	57.25	62.38	35.81	1,911	.48	2.93	- 83.6	16.9
Waxman Ind ..... M	9.13	- 2.13	- 18.9	9.38	7.50	13.25	7.41	3,059	4.83	1.74	177.6	15.2
Weyerhaeuser ..... N	37.63	- 8.63	- 18.6	41.88	19.00	60.00	19.00	76,020	5.61	2.12	164.6	14.9

Financial Update

Company and Market	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																	
Gen Bldg Prods ..... M	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc ..... M	.00	.0	NEW	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A ..... M	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	.06	.4	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot ..... N	.08	.5	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc ..... N	1.60	4.4	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp ..... N	1.16	4.0	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos ..... N	.44	2.4	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods ..... M	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber ..... M	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak ..... N	.40	3.3	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash ..... N	.16	1.3	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	.52	4.3	NEW	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck ..... N	2.00	5.5	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt ..... N	.60	2.8	.....	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz ..... M	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos ..... N	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber ..... M	.20	1.9	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp ..... N	.40	2.2	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																	
Hughes Supply ..... N	.40	1.9	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley ..... M	.00	.0	NEW	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	.28	4.5	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc ..... M	.32b	4.3	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																	
Am Consum Prods ..... M	.00	.0	NEW	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard ..... N	1.80	5.0	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark ..... M	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld ..... N	.90	3.0	NEW	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	28.8
Black & Decker ..... N	.40	2.5	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade ..... N	1.90	3.3	NEW	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed ..... N	1.00	3.8	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl ..... N	.80	2.7	NEW	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	126.1
Clairson Intl ..... M	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus ..... N	1.68	3.3	NEW	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc ..... N	1.40	5.7	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp ..... N	.80	4.2	NEW	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1789.9	18.5	80.1	NE	1.28	NE
Georgia Pacific ..... N	1.00	3.0	.....	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp ..... N	1.00b	6.1	NEW	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific ..... N	.80b	2.8	NEW	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel ..... M	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp ..... N	.00	.0	NEW	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp ..... N	.40	1.6	NEW	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds ..... M	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co ..... N	.84	3.1	NEW	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Nortek Inc ..... N	.10	1.4	NEW	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	.12	1.2	NEW	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot ..... N	.44	3.5	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp ..... N	.92	3.7	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds ..... N	1.20	3.9	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms ..... N	.56	2.5	NEW	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works ..... N	.88	3.8	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds ..... N	.68b	4.2	NEW	9 mos.	09-87	82.4	13.3	3.7	76.2	.38	72.7	241.4	9.4	12.3	28.1	1.24	27.8
Triangle Ind ..... N	.12	.4	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp ..... N	1.16	3.5	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp ..... N	1.12	3.2	NEW	9 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.63	39.1
Walter, Jim ..... N	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind ..... M	.10	1.1	.....	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser ..... N	1.50	4.0	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Conn. builder pioneers field of non-toxic construction

(Continued from page 1)
ing and decorating materials from pressure-treated lumber to paint. Bierman-Lytle wanted alternatives.

Today, he designs and builds homes exclusively with more than 1,500 non-toxic building products. His client list is international. In 10 years, his business has grown 500 percent.

Thus far, most of Bierman-Lytle's clients have been people made ill by chemicals in building products.

"There are people who can't even live in the homes they're in now," he said.

Because their health is involved, these people will pay a premium for non-toxic products that don't come cheap.

For instance, paint without the standard chemical preservatives is about 15 percent more expensive (at cost) than commercial brands, Bierman-Lytle said.

But as more people become aware of the chemical content of common building and decorating materials, Bierman-Lytle believes they will demand non-toxic products. Consequently, the cost will come down, so home centers will be able to stock the products and maintain margins.

"With all the talk about formaldehyde and radon, people are familiar with the toxins," Bierman-Lytle said. "They just don't know what to do about them. You can't go to a home products center and buy an alternative."

Some changes are occurring, however.

As part of a settlement between the U.S. Environmental Protection Agency and the wood-treating industry, treated lumber must carry warning labels telling consumer how and where to use it.

Bierman-Lytle said that's fine as far as it goes. But because problems with chemicals may not surface until years after their use in products, he believes the non-toxic approach is best.

But some major building materials suppliers say manufacturing can't be done without some chemicals.

"It's impossible. We live in a universe of chemicals," said Kip Howlett, director of environment, health and safety for Georgia-Pacific.

Bierman-Lytle blames much of the need for chemicals in commodities on the recent remodeling boom. "There's such a demand for products that to produce enough of them cheaply, you have to use chemicals," he said.

Manufacturers agree, but said they see nothing wrong with using the chemicals.

"To make things more cost effective, you have to add chemicals," said Joe Doherty, vp-marketing/communications for Owens-Corning Fiberglas in Toledo, Ohio. "To make some products work, you have to add chemicals."

Howlett agreed that chemicals are necessary to produce less expensive products, but added: "The chemicals we're using are benign."

Most of Bierman-Lytle's major suppliers are European. A Finnish company supplies paneling that is 70 percent masonry-based and 30 percent wood. He gets paint, stain and varnish from the West German firm Auro.

In the United States, Bierman-Lytle uses Air Krete, based in suburban Syracuse, N.Y., for foam insulation.

The insulation, made with magnesium oxide instead of formaldehyde, is an excellent insulator and impervious to fire, Bierman-Lytle said.

The Connecticut Department of Environmental Protection has confirmed in four separate tests that the insulation is non-toxic.

Air Krete president R. Keene Christopher said he's surprised at the popularity of non-toxic products.

"I thought the non-toxic building material field was rather limited, but it's not," he said.

NLBMDA attendees unfazed by stock crash

(Continued from page 7)
next to you.

"That's right, the jerk next to you: The American consumer controls what happens to this economy."

It was a comforting message for some dealers who are expecting DIY sales to surge during the next 18 months.

Bob Curtis, chairman of the seven-unit Curtis Lumber Co., Ballston Spa, N.Y., thought that with contractors tied up on projects, consumers have no option but to take on a variety of jobs around the home. Because housing starts slumped slightly, Curtis thought that builders and consumers would tackle projects both formerly would have avoided.

"Everybody around our area has been busy building, so a lot of work has fallen on homeowners," he said. "In roofing in particular, homeowners are patching up their roofs until they can find a contractor to do the job right. I think all of that is good for business."

Barbara Douglas, acting executive vp of the Lumbermen's Association of Texas, said many dealers in her state are optimistic that the economic travails of Texas are subsiding.

"Hopefully, we've hit bottom in Texas and are on the way up. That's what everyone seems to feel, anyway," she said.

The sentiment was echoed by Fred Caruso, executive vp of the Mountain States Lumber dealers, whose association represents industry retailers in Colorado, Utah, Arizona, Wyoming and New Mexico.

"In general, lumber dealers in our area have been holding their own because they've made so many cutbacks. . . that they've become very lean and efficient operators," Caruso said. "So when the economy rebounds, their recovery is really going to be great."

Harlan Hummel, executive vp of the NLBMDA, said one reason many retailers seemed to be in a buoyant mood was that many had returned to the "basics," and are not as financially exposed as they were in previous economic downturns.

"People look at what happened on Wall Street and they are not as worried by the big drop," Hummel said. "So the mood is generally optimistic." The one thing he feared were interest rates inching up to the 13 percent level.

"I think dealers learned a lesson in the early '80s and they are not as vulnerable as they once were. This doesn't mean that the answer is in the DIY business, but the industry is changing faster and the dealer has to change with it."

Big storm stirs up increased sales for British home centers

(Continued from page 5)
And B&Q moved quickly to grab a big chunk of that business.

By 1 p.m. on the day following the storm, the company had radio commercials airing nationally, advertising repair materials and tools. Two days later, B&Q rolled out print ads.

"And it paid off," Whiting said, "because . . . the newspapers were full of pictures and stories about the problem, and there we were in the middle of it telling people we had the products they needed."

B&Q also latched on to a national movement to replant trees that were destroyed, offering discount coupons for beech and ash trees.

"We really saw it as an opportunity, to really get involved with the wave of sentiment that's going through the country," Whiting said.

Not all retailers took advantage of the opportunity.

"We really didn't want to cash in on anyone's misery," said Wickes' Whowell. "That's not our style."

Despite heavy demand for some products, retailers said shortages were few.

Wickes already had a full supply of fencing in stock, because this is the season when fencing is normally replaced by homeowners. Immediately after the storm, B&Q called suppliers to beef up stock and transferred 100 miles of fencing from its other stores to those in southeastern England.

At Texas Homecare Ltd., "inevitably, there would be some shortages, but mostly we were able to meet demand," said Michael Dark, marketing services manager for the chain.

Canadian Tire's financial reorganization to be voted

(Continued from page 6)
Jim Turner, general counsel for the Ontario Securities Commission, said that if the proposal is accepted by the shareholders, the OSC would not likely intervene.

Further, the OSC is not taking a position regarding the separate class of B common shares as it has no policy regarding defensive tactics prior to a takeover bid.

No date had been set for the Class A shareholder vote on the proposal. While CT could at any time ask for a vote on the proposal, it is likely to wait until the Class A shareholders decide on their stance.

On a lighter note, an Oakville, Ont., resident gave out 100 individual shares of CT Class A stock to children for Hallowe'en. Thomas Reid said he had decided to give out shares as a result of the recent "doom and gloom on Wall Street." He felt children should get a sense of the role stocks play in the economy.

"I chose Canadian Tire because it is a unique retail operation," he explained. "I went over a long list, and Canadian Tire jumped at me. I know that the Class A shares will appreciate."

NLBMDA plans Wash. internship

(Continued from page 6)
week six would require the student to prepare a paper about his experience in Washington.

In addition to being the son or daughter of a lumber dealer or of a lumber and building material firm employee, each intern must exhibit some previous interest in the industry, such as full- or part-time work or enrollment in an industry-related academic curriculum.

Membership in an industry-related association, or some evidence from the parents that the applicant is interested in making a career in the industry are other criteria that will be considered.

The selection process includes the submission by Dec. 1, 1988, of a resume and an essay of no more than 500 words describing why the intern should receive NLBMDA's endowment.

Despite the late announcement, Carpenter said he is hopeful that a student will be selected to kick-off the program by June or July.

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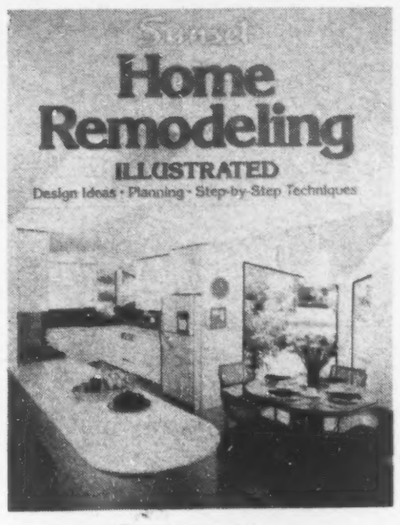

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Retailers hedge bets on snow thrower sales

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — Because snow thrower sales remain as unpredictable as the weather, snowbelt retailers are stocking and promoting the products conservatively by either waiting to sell existing inventory or buying only for as far out as February.

Snow throwers are cross-merchandised with shovels and other outdoor products at one of Canadian Tire's stores in Toronto, Ont. NHCN *photo*

That is, if retailers are carrying snow throwers at all.

The Outdoor Power Equipment Institute reported a 9.1 percent increase in total domestic snow thrower shipments for the model year ended February 1987. This, however, was not incentive enough for retailers to buy the snowblowers freely.

Bob O'Quinn, a spokesman for Ace Hardware Corp., Oak Brook, Ill., said that snow thrower purchases by Ace dealers in the Midwest were conservative due to some leftover stock.

Even in the East, where heavy snowfall last season cleared out most dealers' inventories, O'Quinn said that buyers from that region were also conservative.

Lloyd Home and Building Centers, a Danbury, Conn., chain, does a small snow thrower business despite the potential for snow in its northeastern markets. Seasonals buyer Jeff Gross bought only one electric unit, which is being promoted at $155.99, for each of Lloyd's 35 stores.

"I believe we could sell it if it snows. There's enough business for everyone if it snows," he said.

Meanwhile, in the Midwest, Moser Lumber, Naper-

(Continued on page 66)

Orchard battles low-price by beefing up L&G image

By Elizabeth Brent
NHCN staff editor

SAN JOSE, Calif. — Orchard Supply is fighting back in the competitive San Jose/south bay area market by repositioning itself as the value store for home and garden.

By combining its strength in nursery products with a message about its selection and services, Orchard hopes to combat the low-price image of newcomers Home Depot and Pay 'N Pak and gain market share.

"We've been dominant with the male audience for a while and now see our greatest capacity for growth is with the female audience and our area of nursery, garden and housewares," said Joe DiRocco, vp-marketing and advertising at Orchard Supply Hardware.

The chain has beefed up its nursery selection and added lines of barbecue grills and patio furniture; introduced new signs; and redesigned its nursery to make it easier for customers to shop.

(Continued on page 66)

Coast chairman wakes up once-sleepy buying group

By Brad Altman
NHCN staff editor

DENVER — CoastAmerica plans to increase sales volume outside its traditional base of Coast to Coast hardware stores by using "underutilized assets" such as its distribution centers and trucking fleet, according to company chairman Richard Bard.

The dynamic Bard, who presides over the 59-year-old nationwide franchisor of 992 hardware stores, has a number of ideas in the works for the once-sleepy buying group, including the development of a

(Continued on page 65)

Richard Bard, chairman of CoastAmerica. NHCN photo

Market panic doesn't affect remodel plans

By an NHCN staff editor

NATIONAL REPORT — Far fewer people postponed home improvement plans than home purchases as a result of last month's stock market crash, according to a nationally projectable survey conducted two weeks after Misery Monday.

The survey of 450 consumers during the days of Oct. 29 through Nov. 4, conducted for *NHCN* by Leo J. Shapiro & Associates, also found that only around one in 10 respondents delayed home improvement projects because of the stock market collapse.

Overall, the Shapiro data show a far more confident consumer than has been depicted in many national news surveys, and one whose lifestyle appears to have been affected only marginally by Wall Street's gyrations.

(Continued on page 27)

Chains bullish on stable Columbus market

Columbus at a Glance

Metropolitan Columbus population (thousands)	1,301
Median disposable household income	$24,556
Total retail sales (billions of $)	8.5
Building material & hardware sales (millions of $)	$362
Total residential building permits issued 1986	3,147
Single family building permits issued 1986	2,493

Sources: Sales & Marketing Management Survey of Buying Power, July 1987 and Columbus Building Department

By Ariane Sains
NHCN staff editor

COLUMBUS, Ohio — Harking after Hechinger? Try Columbus. Searching for Sutherlands? Try Columbus. Ferreting out Furrow? Try . . . you guessed it.

Whether it's a major chain or a small independent, chances are you'll find it in this metropolitan area of roughly 1.3 million people.

"I don't know what the draw is," says a representative for one chain, who asks not to be identified. "But everyone keeps coming. Stores are opening all the time."

One reason the market is so attractive, say long-established dealers, is the diversified economy, which tends to

(Continued on page 65)

INSIDE

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Industry execs assess life after crash 27

Self-service in hardlines still a dream 28

Hardlines under glass helps keep shoplifting in check 39

NEWSBREAKS

HOUSING SLUMPS TO 4-YEAR LOW: Housing starts plummeted in October to hit their lowest level since late 1983, the government reported. The 8.2 percent drop from September's figure means an annual construction rate of 1.51 million houses and apartments. The decline is the steepest one-month drop in three years. Economists blamed rising interest rates and builder worry over the stock market crash for the decline. Mortgage rates now stand just below 11 percent nationally.

INDUSTRY UPDATE

O'Connor opens largest unit

BRAINTREE, Mass. — P.F. O' Connor opened what may be the largest building materials store in the United States on Nov. 6 in Revere, Mass., northeast of the city of Boston.

The warehouse store has 300,000 square feet of retail space and carries 25,000 stockkeeping units displayed on 32-foot H-frame racking, according to president Patrick O'Connor.

This is a major departure for the 10-unit company which only entered the DIY arena in 1986 when it acquired the Providence, R.I. - based Brewster stores.

Its core business until then was in running five contractor-oriented lumberyards with a narrow range of building materials.

Thurman granted right to appeal

SEATTLE — A federal judge has granted Thurman Industries' request to appeal to the Ninth Circuit Court of Appeals a pretrial ruling in the long-running antitrust lawsuit against Pay 'N Pak.

The decision means that a trial, originally set for Oct. 26 before federal Judge Barbara J. Rothstein here, will be postponed for at least several months.

Kirkland, Wash.-based Thurman Industries is suing Pay 'N Pak for at least $3 million, claiming that the Kent, Wash.-based retailer engaged in antitrust violations. Pay 'N Pak has denied the allegations.

Ex-Coast coo joins discounter

MATTHEWS, N.C. — Ralph D. Dillon, who resigned as president, chief operating officer and a director of Denver-based CoastAmerica Corp. in August, has been named president and coo of Family Dollar Stores, a discount store chain based here.

Dillon joined CoastAmerica in April 1985.

Previously he was president and ceo of Dallas-based Bowater Home Centers and an area vp with Wickes Lumber. His decision to leave CoastAmerica came after the buying group's chairman, Richard Bard, assumed the added role of chief executive officer a few months ago.

Former Lanoga vp starts co.

BELLEVUE, Wash. — Monte A. Leen, the former merchandising and marketing vp for Seattle-based Lanoga Corp., has established an import trading company based here.

The company, Leen & Associates, specializes in new home center-related products which are sourced in Taiwan, Hong Kong, South Korea and the Philippines.

Leen departed from Lanoga earlier this year after the company reverted to a centralized merchandising.

Big Tool Box upgrades stores

AURORA, Colo. — The three Big Tool Box hardware stores in the Denver market will be remodeled by year end as part of a companywide program to upgrade the stores, said Richard Hoots, manager of the 15,000-square-foot flagship unit located here.

Denver-based Mentor Inc. sold the chain to Jim Grabow this past August. Under Grabow's direction, the flagship store is being remodeled "to make it easier to shop," said Hoots. The other two Big Tool Boxes will be refurbished by adding higher shelving, he added.

Most stocks bouncing back

NATIONAL REPORT — For the most part, home center stocks rebounded in the two-week period that ended Nov. 13.

Of the 58 stocks tracked for *NHCN* by Media General, 34 increased in price, six remained unchanged and 18 declined.

Stanline, the California-based wholesaler, was the leader for the two-week period, increasing by 43.3 percent to close at $10.75.

Moore-Handley increased 22.2 percent to $5.50.

Pay 'N Pak increased 20.8 percent to $14.50.

Payless Cashways, the Kansas City, Mo.-based home center chain, increased 10.9 percent to $14.

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Group fights for affordable N.Y. housing

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Alice Dickinson's idea for affordable housing in rural Orange County, N.Y., was born of personal experience.

As a single mother, Dickinson knows how difficult it is to afford a home on one salary in the county, where prices start at $70,000. But unlike others in the same situation, Dickinson, executive director of the Orange County Rural Development Advisory Corp., was able to change things.

With recent Senate consideration of a major housing bill, national attention is more sharply focused on the homeless and home costs than it has been in seven years. But political maneuvering has put the bill in limbo.

President Reagan had vowed to veto the bill, and convinced Republicans to block a vote on it in the Senate on Nov. 17. The legislation's major congressional sponsors, Senators Alfonse M. D'Amato, a

(Continued on page 20)

Airington will succeed Schumacher as next Georgia-Pacific president

By an NHCN staff editor

ATLANTA — Harold Lloyd Airington will be Georgia-Pacific's new president effective Feb. 1.

The 59-year-old Airington, who was G-P's executive vp-building products, will succeed Robert A. Schumacher, who is retiring at the age of 64 on Jan. 31.

Airington's position will be filled by Robert P. Hogan, currently executive vp-operations. Hogan is 49.

"Hal Airington has been instrumental in developing Georgia-Pacific's leadership in the building products industry, and his talents will be important to our continued progress," said G-P's chairman and ceo T. Marshall Hahn Jr., in a prepared statement.

Joined GP as salesman

A native of Rockingham, N.C., who now resides in Atlanta, Airington joined G-P as a wood products salesman in 1955.

From 1960 to 1978, Airington held branch and regional manager positions. He was promoted to vp-wood products sales in 1978, and held that post for seven years.

photo courtesy of Georgia-Pacific

Harold L. Airington, Georgia-Pacific's new president.

In 1985, Airington was named group senior vp-building products.

Prior to joining G-P, Airington was employed with Associated Plywood Co., U.S. Plywood (which is now owned by G-P), and was a salesman for American Door.

He is a trustee with the American Plywood Association; on the board of governors of the National Forest Products Association; and a member of the executive board of the Boy Scouts of America.

Breedlove takes new position at Depot

By an NHCN staff editor

ATLANTA — John Breedlove, the former senior vp-merchandising for Payless Cashways, has joined The Home Depot as manager of special projects. He relocated to Atlanta and was scheduled to begin the week of Nov. 15.

As special projects manager, Breedlove will report to Bruce Berg, the chain's East Coast vp-merchandising. Breedlove will not be assigned to a specific geographical area.

Ron Brill, Home Depot's senior vp and chief financial officer, said that the position was newly created. He was reportedly "in training" out in the chain's stores and could not be reached for comment about what his new position would entail.

Breedlove, 44, resigned from Payless Sept. 1 after the Kansas City, Mo., chain consolidated its merchandising and marketing departments and placed them under the supervision of Dale Pond. He had been with Payless since December 1981.

John Breedlove, Home Depot's manager of special projects. NHCN photo

Breedlove joined Payless as vp-merchandising and was later promoted to senior vp-merchandising.

His first 12 years in the industry were with West Building Materials, Atlanta, where his titles ranged from product line manager, vp-manufacturing and vp-merchandising. He received his education from The Citadel, where he earned a degree in business administration. He received an MBA from Georgia University.

After leaving Payless, Breedlove was wooed by a number of home improvement chains (one being Erb Lumber, which recently named Brian Burton as its executive vp). But he told *NHCN* that he was desirous of working in a warmer climate.

One week before he started with Home Depot, Breedlove could be seen walking around The Home Center Industry's President's Council in Chicago wearing a button that said "Free Agent."

Lowe's wins award for annual report

By an NHCN staff editor

NORTH WILKESBORO, N.C. — The 1986 annual report from Lowe's Cos. has been named best of the year by *Financial World* magazine.

The $2.3 billion home center chain received the magazine's gold award after judges reviewed over 1,000 entries to the annual contest.

In announcing the award in its Nov. 3 issue, the magazine noted that the Lowe's report addresses customers, employees, competitors, government and the public at large "with as much care as it addresses its shareholders."

John J. McCabe, president of the New York Stock Exchange and one of the judges in the contest, called the Lowe's annual report "a prudent investor's delight."

Lowe's also won a gold award in 1971, when Robert L. Strickland, now company

(Continued on page 65)

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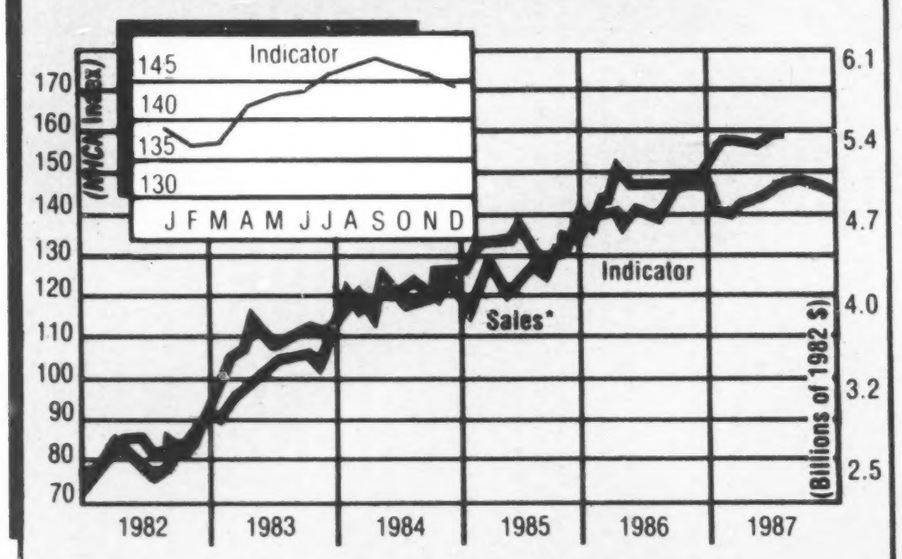
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

Texas building material sales to be slightly stronger in '88

By Richard E. Mount
Special to NHCN

The Texas economy is recovering slowly from its bout with weak oil prices. For building materials retailers, sales in the state are likely to increase 3 percent this year, unchanged after inflation. For 1988, sales will be only slightly stronger, up 4 percent in dollar volume.

Of the three major energy producing states in the West South Central region—Texas, Oklahoma and Louisiana—Texas has the most diverse economy. In addition to oil and gas exploration, it has large high-tech manufacturing, agriculture, finance and service sectors. Crude oil prices are currently running about $18 per barrel, up from a low of $10 in 1986. Drilling costs, at the same time, are down from last year. With the higher crude prices and lower drilling costs, energy mining will rise in 1988.

Richard E. Mount

A recent study of the Texas economy by the Federal Reserve Bank of Dallas suggests that for every new job in energy, another two to three jobs are created elsewhere in the state.

High-tech manufacturing has recovered from its 1986 weakness with Texas-based firms such as Tandy and Compaq doing well.

Texas has a large oil field machinery manufacturing sector as well. Due to the surplus of drilling rigs,

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1987 QI	1987 QII	1987 QIII	1987 QIV	1988 QI	1988 QII	1988 QIII	1988 QIV	1986	1987	1988
***NHCN* Leading Sales Indicator** (February 1980 = 100)		141.1	143.8	146.4	143.7	141.1	142.3	143.5	144.7	130.4	143.8	142.9
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	69,660	68,976	70,796	71,623	72,005	72,756	74,118	75,336	65,529	70,264	73,604
	New England	3,672	3,913	3,731	3,753	3,766	3,798	3,862	3,928	3,301	3,767	3,838
	Middle Atlantic	8,600	9,279	9,041	9,110	9,145	9,225	9,383	9,548	7,899	9,008	9,325
	East North Central	11,515	12,784	12,595	12,756	12,838	12,987	13,245	13,513	11,126	12,412	13,146
	West North Central	4,626	5,195	4,906	4,949	4,976	5,027	5,122	5,220	4,393	4,919	5,086
	South Atlantic	13,964	12,947	14,244	14,425	14,495	14,639	14,905	15,183	12,980	13,895	14,805
	East South Central	4,120	3,959	4,099	4,168	4,212	4,271	4,380	4,479	3,683	4,087	4,336
	West South Central	8,109	7,470	7,653	7,742	7,784	7,880	8,042	8,233	7,523	7,744	7,985
	Mountain	3,797	3,474	3,788	3,846	3,867	3,907	3,988	4,064	3,457	3,726	3,956
	Pacific	11,257	9,956	10,740	10,872	10,923	11,023	11,192	11,368	9,550	10,706	11,126
Constant	**Millions $1982 SAAR Total United States**	64,420	63,551	64,792	64,900	64,600	64,500	64,800	65,000	60,490	64,416	64,725
	New England	3,396	3,605	3,415	3,401	3,379	3,367	3,376	3,380	3,125	3,454	3,375
	Middle Atlantic	7,953	8,549	8,274	8,255	8,204	8,179	8,204	8,216	7,476	8,258	8,201
	East North Central	10,649	11,779	11,526	11,559	11,518	11,513	11,580	11,629	10,534	11,378	11,560
	West North Central	4,278	4,786	4,490	4,485	4,464	4,457	4,478	4,492	4,158	4,510	4,472
	South Atlantic	12,914	11,929	13,036	13,071	13,004	12,977	13,031	13,065	12,286	12,737	13,019
	East South Central	3,810	3,648	3,751	3,777	3,779	3,786	3,830	3,855	3,487	3,747	3,812
	West South Central	7,499	6,882	7,004	7,016	6,983	6,985	7,031	7,085	7,120	7,100	7,021
	Mountain	3,511	3,201	3,466	3,485	3,469	3,464	3,486	3,497	3,271	3,416	3,479
	Pacific	10,410	9,173	9,829	9,852	9,800	9,772	9,785	9,783	9,034	9,816	9,785
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.27	5.67	5.27	5.24	5.23	5.22	5.21	5.20	5.17	5.36	5.21
	Middle Atlantic	12.35	13.45	12.77	12.72	12.70	12.68	12.66	12.64	12.36	12.82	12.67
	East North Central	16.53	18.53	17.79	17.81	17.83	17.85	17.87	17.89	17.41	17.66	17.86
	West North Central	6.64	7.53	6.93	6.91	6.91	6.91	6.91	6.91	6.87	7.00	6.91
	South Atlantic	20.05	18.77	20.12	20.14	20.13	20.12	20.11	20.10	20.31	19.77	20.11
	East South Central	5.91	5.74	5.79	5.82	5.85	5.87	5.91	5.93	5.76	5.82	5.89
	West South Central	11.64	10.83	10.81	10.81	10.81	10.83	10.85	10.90	11.77	11.02	10.85
	Mountain	5.45	5.04	5.35	5.37	5.37	5.37	5.38	5.38	5.41	5.30	5.38
	Pacific	16.16	14.43	15.17	15.18	15.17	15.15	15.10	15.05	14.94	15.24	15.12
Industrial Production												
Index (1977 = 100)	Brick	98.1	97.1	99.3	96.3	95.4	94.3	93.1	91.6	92.9	97.7	93.6
	Cement	117.9	111.1	107.2	105.7	103.5	101.9	100.4	99.6	109.3	110.5	101.4
	Gypsum Wallboard	134.6	134.2	133.1	132.1	131.2	130.4	129.5	127.6	133.3	133.5	129.7
	Hardware	102.9	103.8	105.2	103.9	102.9	101.5	100.4	99.7	102.1	104.0	101.1
	Lumber Products	139.8	143.7	138.2	131.6	127.5	125.4	123.4	121.1	133.3	138.3	124.4
	Paint	100.0	97.3	103.4	102.2	101.6	101.1	100.7	100.1	100.2	100.7	100.9
	Plywood	175.6	181.0	175.0	162.0	158.6	156.2	154.6	153.2	161.8	173.4	155.7

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 30, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Texas economy showing signs of slow recovery

(Continued from page 16)
this sector of manufacturing remains well below prior levels of output.

Employment down in Texas

Texas unemployment remains at a high 8.7 percent, or 1.3 percent below a year ago. Behind this weakness is a 4.2 percent decline in mining and an 11.1 percent fall in construction.

The Texas economy enjoyed a boom in construction in the early 1980s and commercial buildings are now being completed faster than additional units started.

Less cyclical sectors such as finance and services are also slightly below last year's pace, spillovers from the weakness in mining.

The decline in employment, nevertheless, is an improvement from the almost 4 percent decline at the beginning of the year.

Among the three major cities in Texas, Dallas is currently facing the sharpest decline in employment on a year-over-year basis—down 3 percent. Construction is the major drag on the market—off 23 percent from last year.

Houston is off only 1.7 percent and San Antonio 0.8 percent. Both of these cities are also weak in construction employment.

Dallas does not have the weakest economy of the three cities, but its correction in building activity occurred later and makes current year-over-year comparisons look poor.

Houston has the highest unemployment rate of the three—9.3 percent.

Of the three major energy producing states in the West South Central region—Texas, Oklahoma and Louisiana—Texas has the most diverse economy.

Employment should be up

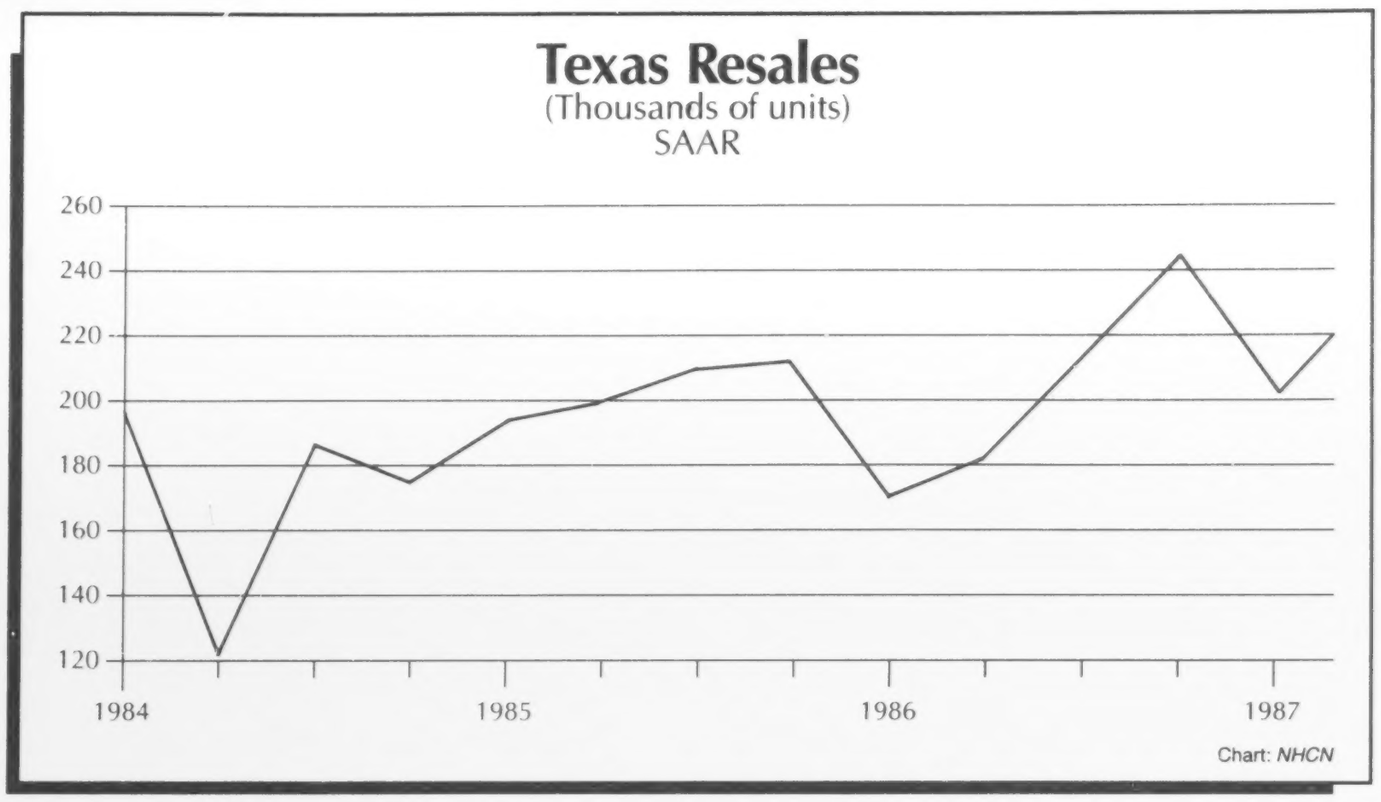
Employment should turn positive by year end, however, and the spillovers from mining into other sectors should revive other areas of the state's economy in 1988. Total employment should be up 1.5 to 2 percent next year. The drag on the economy in 1988 will be the construction of offices, hotels, industrial buildings and stores rather than energy exploration. These construction markets will remain soft until 1989 at the earliest.

Resales are best indicator

The dollar value of building materials sales should increase about 4 percent in Texas during 1988, slightly slower than the national average. Employment has been weak but resales strong since the third quarter of 1986.

Resales remain the best leading indicator of future building materials sales. Resales soared in the last quarter of 1986, propelled by the desire to use capital gains for investment properties.

Under the new tax law, the price appreciation of second or investment homes will be taxed as personal income after 1986, not as the lower taxed capital gains. Strength in resales during 1987 and gains in employment will keep building materials sales strong in 1988.



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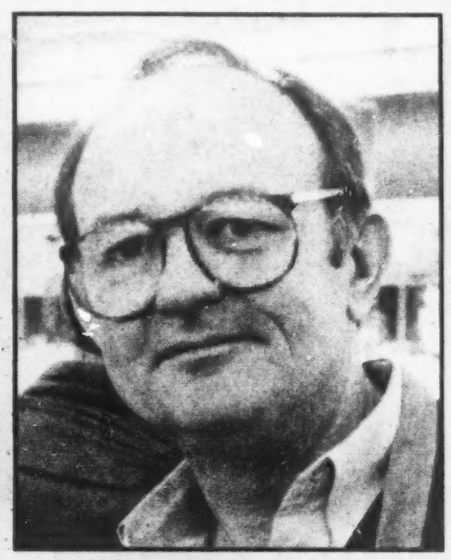
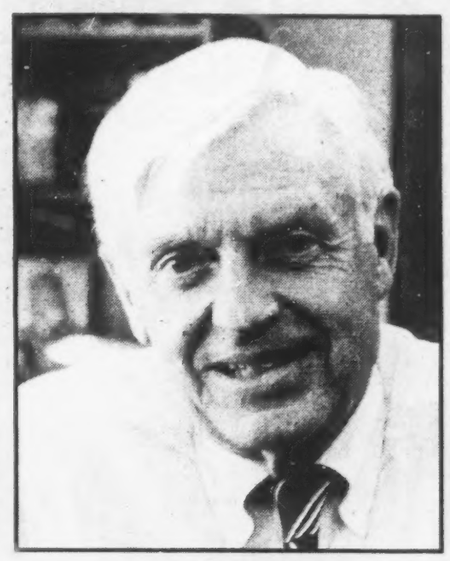
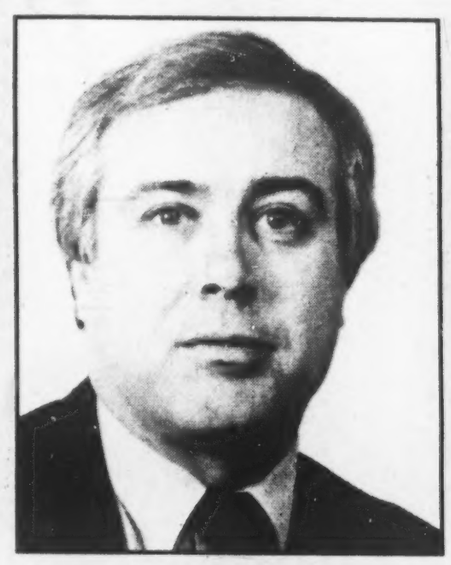
John Hechinger Sr.
Hechinger Company.



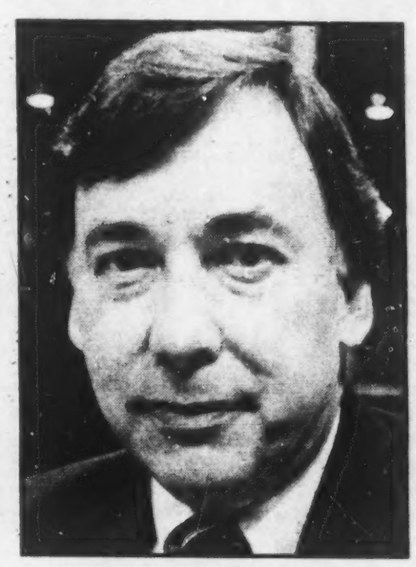
David Stanley
Payless Cashways



Donald Davis
Stanley Works



Al Leitschuh
NBMDA



Bill Loftus
Ace Hardware

Industry executives assess life after the crash

National Home Center News polled the leading industry executives on their views of the markt crash and what they expect the business climate would be over the next 12 to 18 months. The following are excerpts from those interviews.

William Farrell, executive director, American Hardware Manufacturers Association:

There is no major trend to change any philosophy, forecasts or plans, although manufacturers are aware of the perception that consumers could be adversely shaken by the news they are hearing.

But our people believe that the recent drop in interest rates will reduce inventory carrying costs and help the housing market, which are very positive offsets.

David Stanley, chairman, Payless Cashways:

I believe that consumption patterns are heavily influenced by changes in consumer wealth. And in a non-competitive, dwindling economy whose value has been diminished because it's based on consumption rather than savings and production, there will be a relative decline in the standard of living—maybe by as much as 3 percent—which is bound to affect the growth of our own business.

Donald Davis, chairman, The Stanley Works; chairman, National Association of Manufacturers:

The recent decline, at this juncture, hasn't damaged the country.

But the budget negotiations between the Administration and the Congress have taken on symbolic proportions way beyond their immediate import, and if people start believing that government can't deal with macroeconomic issues, there could be another bad reaction.

Then consumers may start holding back on purchases and this could push the recession up to mid-1988. These are all pretty big "ifs," though, and if Congress and the President work out their differences, the world will breathe a sign of relief.

John Hechinger Sr., co-chairman, Hechinger Company:

In the long run, the market will bounce back. It will have a long-range difference to some, but our timing was perfect going to market in March with a long-term debenture. We have a quarter of a billion—that's "b" as in boy—in cash. We would hope that some acquisition would come our way.

Lawrence Chimerine, chairman, Wharton Econometrics:

We're dealing with measuring [consumer] confidence and fear and that is difficult to do.

Some people who lost money in the stock market are going to reconsider remodeling or buying a home at the higher interest rates.

We will know the effects in the next month or two. Some retailers say sales are off a bit, even housing looks a little softer. There is a little cautiousness.

Arthur Blank, president, The Home Depot:

We're not in the stock market business, we're in the home improvement business. It will have a recessionary effect. To a certain extent, as you know, the business is recession-proof.

We are running the business as aggressively and as well as before with no changes.

Al Leitschuh, executive vp, National Building Material Distributors Association:

You can always say that it was paper money and not real. [But] the severity was fairly substantial. When they take that much money out of the economy, it will have a ripple effect.

None of our members mentioned specific problems. Plans maybe were rethought with dealers being a bit tentative about expending a heavy input of capital at this time.

Nolan Archibald, chairman, Black and Decker:

We are optimistic that our business will do well even in light of the turmoil of the financial market. We have a favorable cost position as a result of our restructuring efforts. There has been no immediate effect from the crash. However, it would be unreasonable not to be cautious.

William W. Boeschenstein, chairman, Owens-Corning Fiberglas:

With regard to the immediate effect we have noticed no change one way or another in sales or order patterns. With regard to the long-range effects, our concern is that the stock market crash can clearly affect consumer confidence.

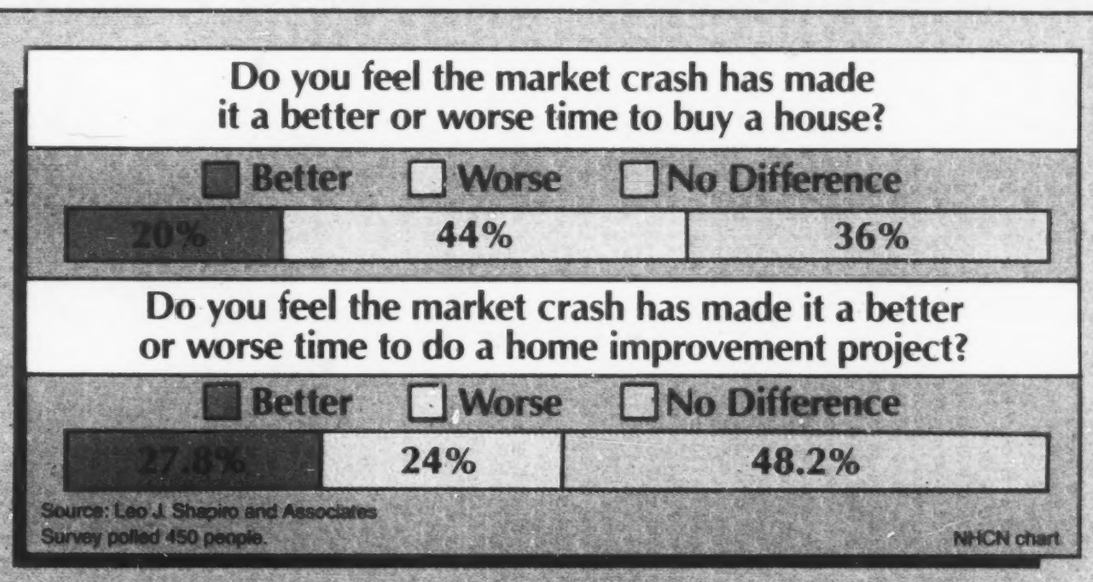
Ronald P. Hogan, executive vp-operations, Georgia-Pacific:

While we have not altered our future plans, we continue to aggressively control costs. We are reviewing our capital expenditures even more carefully in case conservative consumer buying patterns bring about a downturn in demand for our products. And through October, we had repurchased more than 5.9 million shares of Georgia-Pacific stock.

Bill Loftus, vp-sales and marketing, Ace Hardware Corp.:

When the record stock plunge occurred, our fall buying convention was to begin in Reno. We anticipated that the drop might have an effect on the buying confidence of our dealers. That was not the case; our dealers were upbeat.

There are many factors which influence growth in our industry including what Congress does to control budget deficits, consumer confidence, interest rates, availability of money and so on. However, we anticipate continued good progress for industry in general and for Ace in particular. The stock market might remain bearish, but we and our dealers are still bullish.



Study finds DIY activity minimally affected

(Continued from page 1)

Perhaps the most telling finding in the study was that only one quarter of the people polled thought market conditions mitigated against doing a home improvement project. In contrast, 44 percent believed it was a worse time to buy a home.

Looked at another way, more than three-quarters—76 percent—said that the market crash either made no difference or presented a better environment for their home improvement project plans. Only 56 percent of those surveyed could say the same thing about their home buying plans.

Nearly three in 10 respondents, in fact, thought the market decline created a better situation for them to do such a job.

Among all those who were surveyed, 100 respondents, or 22 percent, said they had a project in the planning or implementation stage prior to the Oct. 19 crash. Among that group, about one-quarter had planned to start a project within 30 days.

Interestingly, of those project planners who were not starting a project within a month's time, only one in seven said they would delay their project specifically because of the market crash.

The survey also asked homeowners about which projects they were planning or, conversely, would be delaying in the wake of the crash. It discovered that 13 percent of those who said they were planning a project before the market dipped wanted to remodel or add a room.

And among the small group of respondents who would be delaying a project because of the market crash, the greatest number said their kitchen remodeling plans would be put on hold.

Other projects that would be delayed included exterior repairs and roofing. But no interior home project outside of kitchen remodeling was subject to delays due to the crash.

The relative level of consumer confidence concerning home improvement projects two weeks after the Oct. 19 stock fall reflects a broader level of certainty about all facets of their lifestyles. The number of people who thought they were worse off in general because of the crash actually declined to 17 percent on Nov. 3-4 from a high of 21 percent on Oct. 24-26.

In areas of subsistence—such as the buying of food, gasoline and clothing—the number of people who said they were cutting back on expenditures fell off dramatically in the last two days in which the survey was conducted.

FINANCIAL NEWS

Cash flow grows more important after market crash

By Phillip M. Perry
NHCN staff editor

While everyone is waiting to see what the consumer will do in response to October's stock market crash, two conclusions can be drawn about the crash's effect on both private and public retailers.

Behind the Numbers

The degree of risk inherent for all companies has increased substantially. That has been made clear from the fall of the prices of the stocks.

Earnings forecasts, across the board, had not been downgraded prior to the crash, so it must be that risk—the second determinant of stock prices—increased substantially.

Because the stock crash affected virtually all traded companies, it seems the greater risk has been assigned to the economy in general rather than to any particular category of companies.

This conclusion is reinforced by the pronouncements of economists and general business publications in the weeks following the crash. Responsibility was assigned not to changes in company operations, but rather to larger economic issues such as inaction on the budget deficit.

Cash Flow Increases
(Funds from Operations, 1986 vs. 1985)

The Home Depot	115%
General Building Products	77
Wolohan Lumber	36
Hechinger	24
Lowe's	8
Payless Cashways	6
Scotty's(*)	3
Standard Brands Paint	1

(*) Year ended June 1987.
Source: 1986 annual reports.
NHCN chart.

Responding to the greater risk, stockholders will be demanding greater returns for their investments. That means retailers will have to be more selective in their capital spending, which will directly affect the pace at which they can increase market share.

This force applies to private as well as public companies. The perception of greater risk, or greater uncertainty, applies to all alternative investments. Accordingly, owners of private companies will require a better return for their investments as will investors in public companies.

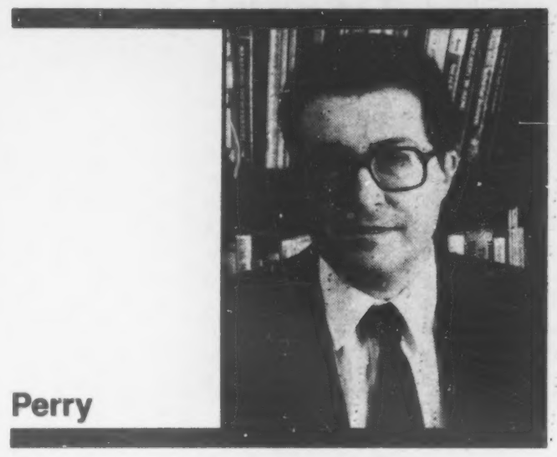
There will be more emphasis than ever on company cash flow. Strong cash flow is one indication a company has already taken steps to invest for the future. That impresses investors looking for evidence that future earnings increases resulting from recently enacted capital improvements might overcome the negative effects of a possible recession.

It also indicates a company is in a better position than others to pull back now on additional capital improvements, since some improvements have already been made.

Strong cash flow also suggests a company can increase its earnings by adjusting internal operations, and can better meet interest payments in the future.

At least three companies—Standard Brands Paint, Scotty's, and Lowe's—reported cash flows in their most recent annual reports that cast a better light on their earnings reports. As detailed by a news story earlier in this issue, Standard Brands has developed a stock buyback plan that would preserve the current management of the firm.

Looking at the company's earnings for the most recent year, one might think the 5.1 percent drop in earnings in 1986 would not provide an attractive target for a takeover and would throw into question the ability of anyone buying the firm (including current management) to make the interest payments.


Perry

But looking at cash flow, one comes to a different conclusion. Cash flow actually increased last year by 1 percent over that of the previous year. It reached $22.5 million, providing a comfortable margin for paying the annual $18 million in pretax interest that analyst Ward Lindenmayer of Sutro & Co., San Francisco, figures the debt will entail.

Other companies also have reported cash flows more favorable than earnings might suggest. Scotty's, for example, experienced an increase of 2.9 percent in its cash flow for the year that ended this June. This took place while it was reporting a 24 percent drop in earnings.

And while Lowe's was reporting a 13 percent drop in earnings for 1986, it achieved an 8.2 percent increase in cash flow.

* * *

The bottom line—More than four out of five institutional investors want companies to rescind poison pills or put them to a vote, according to a release last month from the Investor Responsibility Research Center, Washington, D.C.

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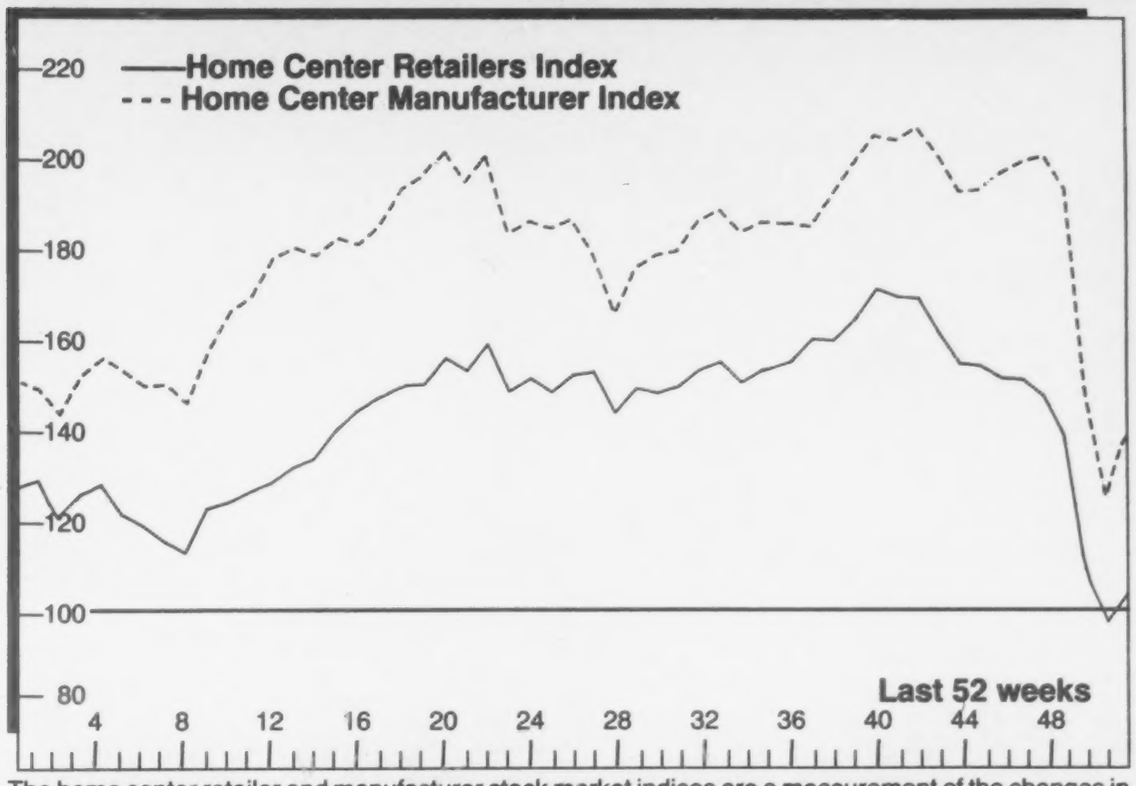
FINANCIAL NEWS

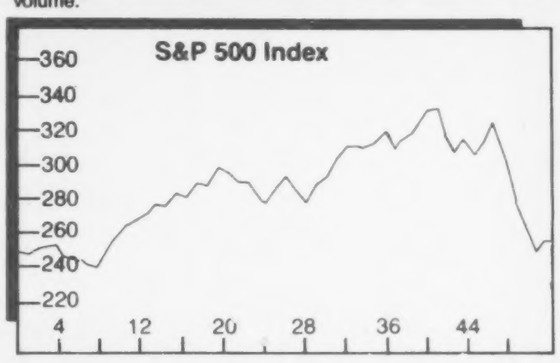


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
11-13-87	(100)	%	%
Pay n Pak ..... N	3,517	458.7	20.8
Stanline Inc ..... M	1,373	418.6	43.3
Mor-Flo Inds ..... M	510	412.5	- 14.1
DeSoto Inc ..... N	2,310	303.4	- 3.0
Am Woodmark ..... M	1,760	286.4	3.0
Scotty's Inc ..... N	4,693	227.6	1.0
Hughes Supply ..... N	1,522	208.8	4.2
Certain-teed ..... N	4,336	192.3	1.9
Am Standard ..... N	14,180	185.8	- 1.0
Moore Handley ..... M	282	169.0	22.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 10-30	2-Week Price Change	Total 2-Week Volume
11-13-87	$	%	(100)
Stanline Inc ..... M	10.75	43.3	1,373
Clairson Intl ..... M	7.75	29.2	803
Moore Handley ..... M	5.50	22.2	282
Pay n Pak ..... N	14.50	20.8	3,517
Nortek Inc ..... N	8.38	19.6	4,973
Manville Cp ..... N	2.75	15.8	8,397
Am Consum Prods ..... M	10.50	13.5	48
Sherwin-Wms ..... N	25.63	12.6	10,665
Payless Cash ..... N	14.00	10.9	12,149
Strober Organiz ..... M	8.75	9.4	505
Losers	$	%	(100)
USG Corp ..... N	28.75	- 18.4	32,252
Mor-Flo Inds ..... M	6.88	- 14.1	510
Triangle Ind ..... N	25.00	- 10.7	5,229
Masco Corp ..... N	22.63	- 8.6	29,253
Waxman Ind ..... M	8.38	- 8.2	2,405
Grossman's Inc ..... M	5.63	- 8.2	5,448
INTERCO Inc ..... N	33.25	- 7.6	9,734
Thos Inds ..... N	15.00	- 7.0	1,687
Cooper Indus ..... N	47.50	- 6.2	13,233
Owens Corn ..... N	13.38	- 4.5	24,168

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 11-13-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.25	.00	.0	5.75	5.00	12.50	4.50	384	.96	.82	17.1	7.4	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc ..... M	5.63	- .50	- 8.2	6.13	5.63	11.25	4.75	5,448	2.08	1.89	10.1	17.6	.00	.0	.....	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A ..... M	16.75	1.00	6.3	16.75	15.50	26.50	15.25	7,911	7.24	4.25	70.4	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.00	1.00	5.9	18.00	16.75	26.75	16.25	934	.58	.35	65.7	16.2	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot ..... N	17.50	1.25	7.7	17.63	15.75	28.09	11.59	16,604	3.76	2.48	51.6	19.4	.08	.5	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc ..... N	33.25	- 2.75	- 7.6	36.75	33.25	54.00	31.00	9,734	2.45	1.22	100.8	9.6	1.60	4.8	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp ..... N	29.50	.50	1.7	30.50	25.25	48.38	21.63	81,868	4.06	1.98	105.1	9.2	1.16	3.9	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos ..... N	19.13	.75	4.1	22.50	18.13	32.75	16.25	8,651	2.18	1.51	44.4	13.1	.44	2.3	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods ..... M	4.75	.00	.0	5.00	4.50	10.00	4.50	286	2.11	1.23	71.5	6.2	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber ..... M	3.88	.00	.0	4.00	3.50	7.50	3.50	534	.95	.45	111.1	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak ..... N	14.50	2.50	20.8	15.75	12.00	21.50	10.88	3,517	3.52	.63	458.7	14.5	.40	2.8	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash ..... N	14.00	1.38	10.9	14.25	12.50	26.88	12.00	12,149	3.51	2.07	69.6	11.0	.16	1.1	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	12.25	.13	1.0	13.00	11.88	15.88	10.00	4,693	3.21	.98	227.6	16.1	.52	4.2	.....	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck ..... N	36.38	.25	.7	37.50	34.00	59.50	26.00	76,485	2.03	1.27	59.8	8.9	2.00	5.5	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Prt ..... N	21.63	.50	2.4	22.50	20.00	31.88	16.13	8,525	7.65	5.14	48.8	15.7	.00	.0	.....	6 mos.	07-87	92.6	3.8	5.3	10.4	.48	14.3	172.0	3.0	8.4	3.7	.76	7.0
Strober Organiz ..... M	8.75	.75	9.4	9.50	8.00	15.25	6.75	505	.83	.83	.0	9.2	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos ..... N	9.13	.00	.0	10.75	8.88	25.00	7.25	21,681	4.53	2.99	51.5	3.1	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber ..... M	10.88	.38	3.6	11.38	10.50	18.75	7.75	1,107	1.89	1.99	- 5.0	8.0	.24	2.2	NEW	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp ..... N	19.75	1.25	6.8	23.00	18.75	37.00	14.38	40,956	7.05	5.04	39.9	7.1	.40	2.0	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																													
Hughes Supply ..... N	21.88	.88	4.2	22.50	21.00	30.25	19.75	1,522	4.57	1.48	208.8	9.6	.40	1.8	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley ..... M	5.50	1.00	22.2	5.50	4.50	9.75	4.50	282	1.13	.42	169.0	21.2	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.25	.00	.0	6.38	6.13	9.88	5.88	1,114	2.77	2.30	20.4	16.9	.28	4.5	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc ..... M	10.75	3.25	43.3	10.75	6.50	14.00	6.50	1,373	8.09	1.56	418.6	9.7	.32b	3.0	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																													
Am Consum Prods ..... M	10.50	1.25	13.5	10.75	9.00	14.25	7.88	48	.23	1.87	- 87.7	17.2	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard ..... N	35.75	- .38	- 1.0	37.50	33.25	55.00	33.00	14,180	4.43	1.55	185.8	9.3	1.80	5.0	NEW	9 mos.	09-87	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark ..... M	8.50	.25	3.0	8.88	8.00	17.13	7.25	1,760	2.55	.66	286.4	9.4	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld ..... N	28.50	- 1.25	- 4.2	30.00	24.50	47.38	22.50	24,548	5.18	1.95	165.6	9.2	.90	3.2	.....	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	28.8
Black & Decker ..... N	16.50	.75	4.8	18.00	15.13	26.50	13.00	19,193	3.30	2.10	57.1	22.9	.40	2.4	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade ..... N	61.25	3.75	6.5	62.25	57.00	86.88	48.00	13,870	4.83	2.92	65.4	11.8	1.90	3.1	.....	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed ..... N	26.50	.50	1.9	27.00	25.50	45.75	25.00	4,336	2.28	.78	192.3	8.4	1.00	3.8	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl ..... N	29.25	.00	.0	30.75	25.38	44.63	21.75	50,640	5.32	2.70	97.0	7.6	.80	2.7	.....	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl ..... M	7.75	1.75	29.2	8.00	6.00	18.25	5.00	803	1.58	1.28	23.4	18.0	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus ..... N	47.50	- 3.13	- 6.2	51.38	45.75	74.50	37.75	13,233	2.65	1.60	65.6	14.3	1.68	3.5	.....	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc ..... N	24.00	- .75	- 3.0	25.38	23.75	43.75	23.38	2,310	5.85	1.45	303.4	15.4	1.40	5.8	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp ..... N	18.75	- .50	- 2.6	19.75	18.00	26.63	15.50	13,508	2.16	1.03	109.7	12.2	.80	4.3	.....	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1789.9	18.5	80.1	NE	1.28	NE
Georgia Pacific ..... N	34.13	.50	1.5	35.63	31.75	52.75	22.75	60,670	5.57	2.23	149.8	8.7	1.20	3.5	.....	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp ..... N	15.88	- .50	- 3.1	16.88	15.50	28.13	14.63	5,159	2.47	1.32	87.1	9.3	1.00b	6.3	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific ..... N	28.50	.38	1.3	29.63	27.25	39.75	21.50	8,767	2.29	2.24	2.2	9.7	.80b	2.8	.....	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel ..... M	14.50	.38	2.7	14.50	12.88	23.50	9.69	16,291	1.60	1.02	56.9	NA	1.10	NA	NEW	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp ..... N	2.75	.38	15.8	2.88	2.25	5.38	1.63	8,397	3.50	1.95	79.5	.5	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp ..... N	22.63	- 2.13	- 8.6	25.50	21.88	40.88	18.75	29,253	2.21	1.44	53.5	12.4	.40	1.8	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds ..... M	6.88	- 1.13	- 14.1	7.50	6.50	14.38	6.50	510	2.05	.40	412.5	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co ..... N	26.50	- .75	- 2.8	28.00	25.38	43.00	24.50	1,569	1.37	.71	93.0	10.9	.84	3.2	.....	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Nortek Inc ..... N	8.38	1.38	19.6	8.38	7.13	17.38	5.00	4,973	3.16	2.12	49.1	14.0	.10	1.2	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	13.38	- .63	- 4.5	15.13	13.13	32.38	8.88	24,168	6.45	3.61	78.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	11.00	.63	6.0	11.88	9.88	18.13	9.00	2,081	1.86	1.40	32.9	9.9	.12	1.1	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot ..... N	13.38	.63	4.9	14.00	12.00	27.25	9.75	3,534	2.94	2.03	44.8	6.1	.44	3.3	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp ..... N	26.38	1.38	5.5	28.00	25.13	41.88	21.00	3,348	1.25	.95	31.6	9.6	.92	3.5	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds ..... N	31.00	.38	1.2	35.00	29.00	53.50	27.50	25,897	2.17	1.64	32.3	10.5	1.20	3.9	NEW	9 mos.	09-87	1260.5	10.5	91.3	10.7	.76	10.1	3855.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms ..... N	25.63	2.88	12.6	27.75	22.75	38.50	21.75	10,665	2.40	1.47	63.3	10.2	.56	2.2	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works ..... N	24.25	1.00	4.3	24.63	21.75	36.63	21.25	5,559	1.27	.75	69.3	12.6	.88	3.6	NEW	9 mos.	09-87	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	60.4	9.2	1.39	5.3
Thos Inds ..... N	15.00	- 1.13	- 7.0	16.38	14.75	22.63	14.75	1,667	1.69	.77	119.5	9.6	.68b	4.5	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.38	72.7	241.4	9.4	12.3	28.1	1.24	27.8
Triangle Ind ..... N	25.00	- 3.00	- 10.7	28.50	24.25	44.00	22.50	5,229	2.17	1.36	59.6	9.9	.12	.5	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp ..... N	35.00	1.63	4.9	37.38	32.00	48.19	26.00	31,288	4.25	1.95	117.9	15.0	1.16	3.3	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp ..... N	28.75	- 6.50	- 18.4	36.75	27.13	55.88	23.50	32,252	6.30	4.49	40.3	6.3	1.12	3.9	.....	9 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.63	39.1
Walter, Jim ..... N	59.00	- .13	- .2	59.63	58.75	62.38	35.81	1,412	.36	1.53	- 76.5	16.9	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind ..... M	8.38	- .75	- 8.2	9.13	8.13	13.25	7.41	2,405	3.80	1.77	114.7	12.1	.10	1.2	NEW	3 mos.	09-87	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser ..... N	36.13	- 1.50	- 4.0	38.75	34.75	60.00	19.00	42,503	3.14	2.03	54.7	14.3	1.50	4.2	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Retailers hedging their bets on snow thrower sales

(Continued from page 1)
ville, Ill., did a strong business in 1986, despite the lack of snow in the region last winter.

Don Watson, Moser's seasonal buyer, said he carries 65 Toro stockkeeping units that range from $329.95 to $1,069.

Watson said he is able to compete with franchised dealers by offering a fully assembled product at a promotional price point.

Strong sales at National

National Hardgoods Distributors, the 29-store Stoughton, Mass., hardware chain, had strong sales last year with very little leftover inventory. National Hardgoods will promote its five models at the beginning of the season through January, according to Joe Quaresima, vp and general merchandise manager.

"We hope that this year people will remember the snow from last year. They are predicting a bad year [for snow]. We consider it a risky category," Quaresima said.

Anderson Lumber, the Ogden, Utah-based chain, was left wishing for snow at the end of last season, said Hudson England, vp-merchandising. "We had a very light winter and a lot of carryover inventory." Orders for this year have not been placed yet and promotions began Nov. 4.

Dealers' caution towards the product category is matched by the mixed signals about this year's prospective sales coming from the vendor community.

"It looks like the industry is down. I wouldn't say its disastrous. I would say that shipments are down 15 to 20 percent," said Andy Schad, product manager for Lawn Boy, Plymouth, Wis., which acquired a snow thrower line from Gilson Brothers in September, and has a nationwide dealership of 1,000.

On the other hand, Bert Thompson, marketing manager for Toro snow products, Minneapolis, explained that snow throwers are no longer considered a luxury item as they have come down in price in past years. The market, he said, "is at an all-time high."

He added that orders for this year have been "great" and that production has been extended. New for Toro is a power shift that increases front-end pressure, eliminating front-end ride up which occurs when plowing hard-packed snow.

Toro prices begin at $164 (with rebate) for an electric model, and go up to $1,500 for a two-stage gas-powered model.

Simplicity Manufacturing, Port Washington, Wis., makes only gas-powered snow throwers, which it markets through its nationwide network of 1,000 dealers.

Production levels down

Lauren Zahn, Simplicity's corporate spokesperson, acknowledged that production levels were down. "We didn't have that bad a year [last year]. Sales were normal in Simplicity's East and European markets." In the West, she said, there was some leftover inventory. Zahn described sales for this year as "pretty good so far."

Simplicity's price point range starts at $390 for compact, single-stage snow throwers, up to $1,400 for its top of the line 10-horsepower unit, which Zahn acknowledged has commercial applications as well.

Aircap Industries, Tupelo, Miss., is marketing snow throwers under the Snow Champ name, as well as manufacturing private label models for retailers.

Leftover inventory did result in a production decrease. But Chuck Yahn, Aircap's president, expressed optimism for a snowy winter.

Design Works debuts kitchen center in L.A.

(Continued from page 7)
Design Works including Torrance now open. Cheever explained that before the MasterCraft Industries acquisition, MasterCraft operated seven kitchen specialty stores—two in Denver, one each in Boulder and Colorado Springs in the Colorado market and in Phoenix, Glendale and Tucson, Ariz.

First unit from scratch

These units, formerly open under the MasterCraft name, have been "refitted and renamed [Design Works] over the past six months," said Cheever. Torrance is the first unit to open from scratch.

The next Design Works slated to open in January 1988 is in Huntington Beach, Calif., followed by a unit in San Diego. All units are company owned.

"We look forward to being represented in all of the major markets," said Cheever. "Our goal is to have this a national chain."

The Design Works stores will eventually be expanded to include some bathroom-related products, Cheever said.

The marketing strategy is to provide a good-better-best price-point structure. (The company refers to them as modest project, midrange and premier range).

Cheever said there are "three tiers of price points to reach the entire spectrum of the kitchen market." Thus, the products and services it offers will appeal to DIYers, remodeling contractors, custom home builders, designers and architects.

Featured products at Design Works Kitchen Centers include three lines of cabinets—MasterCraft, Geneva and St. Charles—manufactured by Whirlpool Kitchens.

The MasterCraft brand targets the middle price-point range aimed at the builder/remodeler market. St. Charles is the "premium product line" aimed at residential and commercial applications. The Geneva brand is considered the "value" product, featuring frameless cabinetry.

Other products include faucets, Kohler sinks, Wilsonart decorative laminate countertops and major appliances under the Whirlpool and KitchenAid label, both Whirlpool Corp. brands.

"Our goal is to provide a totally integrated package so that the consumer doesn't have to go to different stores," said Cheever. "We can do the whole thing from beginning to end."

Cheever summed up Design Works' strategy: The direction of the future is a packaged kitchen in which customers can shop at a "no-hassle" store which offers "personalized, expert service to a broad spectrum of buyers."

"We believe the DIYer is not necessarily interested in a low-end product," Cheever said. "They want to get the most value for their investment. But they need design assistance."

Design Works will refer consumers to a "screened group of contractors" if they prefer not to do the kitchen renovation themselves.

Design Works will make house calls, but that costs the customer $50, which will be applied to the total purchase price. A total design, including blue prints, costs $200.

See Classified ads on pages 59 and 60 of this issue . . .

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Vol. 13, No. 24 November 30, 1987

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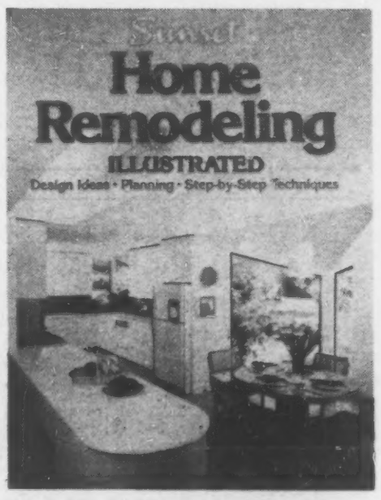

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Orchard battles low-prices by strengthening its L & G image

(Continued from page 1)
It launched the first of its eye-catching institutional ads in April, a line drawing of a flower to herald the arrival of the seasons' shade and sun plants.

Ads a departure from norm

The ads ran on the back of the Living section of the Sunday *San Jose Mercury.* The graphics are more in keeping with department or specialty store advertising and are a complete departure from Orchard's usual price and item advertising. They also stand out from the competitors' promotional ads in the Sunday papers.

The ads covered the whole range of Orchard Supply's services. They focused on its employment of 26 California Certified Nurserymen (CCN); its tag system for helping customers load; and its "Plant for a Purpose" information center, which includes free literature.

Women targeted by ads

As part of the repositioning and targeting to women, Orchard Supply also introduced its own private label pure drinking water. The 2½-gallon container is available for $1.59.

Another new product area—touted in the ads as "Dress for Success"—is a line of work clothes.

The campaign was designed initially for its 10 stores in the San Jose area where competition is intense and the company needs to differentiate itself. However, the chain intends to roll out the campaign to its other 19 locations in the future.

"The result is a dual benefit. The general consumer gets the message and it has the hidden advantage of a morale booster for our own personnel," said DiRocco.

Results from its latest market research show that Orchard has increased its market share from 30 percent to 45 percent, according to DiRocco. This is in part due to the opening of two new stores and the closure of Handyman, but the repositioning has contributed too.

Hugh M. Woods unveils 'user-friendly' prototype

(Continued from page 6)
impression because we allow customers to select lumber themselves and they don't have to pick through so much."

Layout changes

Other changes at the new prototype include:

- A new color scheme. The earth-color shades have been replaced with the colors in the Payless Cashways company "arrow" logo—bright red and black. Stripes on the walls, as well as on the countertops, reflect this color change;
- A new paint department location. The paint department has been moved to the front of the store where seasonal goods used to be.

"We put the paint department there because it basically stays the same," Stein explained. "It is one of our best-looking hardlines departments and we do a lot of paint promotion. Paint is one of the highest GMROI departments we have—so we give it the best real estate."

Tough category moved

Seasonal was moved next to the outdoor garden department. The seasonal department is off the main traffic aisle and is still well-positioned for maximum customer draw.

"Seasonal is always a tough category to make the presentation look good," Stein said. "We go through a major remerchandising in that area at least every six months."

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National
Home Center News ®

Vol. 13, No. 25 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. December 14, 1987

Mr. Build develops contractor showroom

By Suzanne Floyd
NHCN staff editor

NORTHBOROUGH, Mass. — Mr. Build International is taking its franchised contractor network concept one step further. The first Mr. Build Plus franchise is expected to open in this town, about 30 miles west of Boston, in April.

Jim Flanders, owner of both the Mr. Build Plus prototype and an existing Mr. Build franchise, explained that the prototype will be equipped to handle every facet of a remodeling job. In addition to five kitchen and bath designers on staff, the Mr. Build Plus will have three interior designers as well as an architect to oversee room additions.

The 12,000-square-foot space will also include cubicles for eight to 12 subcontractors.

Mr. Build International, headquartered in Windsor, Conn., outside of Hartford, is comprised of a network of contractors and remodelers that totals nearly 600 franchises in the U.S. and Canada, with 16 regional offices. A Japanese office is scheduled to open soon, and discussions are underway for locations in Australia.

(Continued on page 74)

Diamond reorganization plan filed as Seats resigns

By Ariane Sains
NHCN staff editor

CARROLLTON, Texas — Diamond Lumber president Harlon Seats has resigned after seeing the company file its Chapter 11 reorganization plan in bankrupcty court.

Seats also resigned his position on the board of Michigan General Corp. (MGC), Diamond's parent company.

Jerold Grubstein, president of Michigan General, said Diamond hopes to be operating under the reorganization plan by spring. It must be approved by the court, then voted on by creditors and stockholders. Grubstein will replace Seats as Diamond's president.

Senior vp James Schaffer becomes Diamond's executive vp in charge of day-to-day operations. Danny Hair, the chain's chief financial officer, becomes vice president of finance and administration for Michigan General. Richard Wiggins, previously the cfo for Continuum Corporation of Austin, Texas, has joined Michigan General as its vp-treasurer.

Seats, contacted at his Dallas home, said he had planned to resign for some time, but felt obligated to wait until the reorganization plan was completed. Diamond filed Chapter 11 in April.

In his letter of resignation to Ralph Shapiro, Michigan General chairman, Seats

(Continued on page 73)

Harlon Seats, who resigned as president of Diamond Lumber. He will be replaced by Jerold Grubstein, president of Diamond's parent Michigan General Corp. NHCN photo

New Jersey yard fights back after devastating fires

By Milford Prewitt
NHCN staff editor

PATERSON, N.J. — Practically annihilated by two deliberately set fires, Dillistin Lumber Co. here is bouncing back with a vengeance, heralded by local newspaper advertisements that proclaim: "The Fire's Out But Dillistin Isn't."

"What we're trying to say in that ad is what they say in basketball: In your face!" said Sal Fanale, vp and ceo of the company. "From a business perspective and from a personal perspective, it means we're not going anywhere."

Fanale's defiance is a rebuke to the arsonists, still at large, who torched the company's lumberyard on two different occasions last summer.

The first fire occurred on a Saturday night in July after the company had closed. It destroyed a substantial amount of cedar, redwood, oak and roofing materials in one of three buildings the company maintains on its yard.

(Continued on page 74)

New survey casts doubt on direct mail effectiveness

By an NHCN staff editor

NATIONAL REPORT — Consumers are almost three times more likely to throw away circulars sent by mail from home centers than they are to keep them, according to a survey recently released by the Newspaper Advertising Bureau (NAB).

But home center dealers subsequently interviewed by *NHCN* say they remain pleased with the results of direct mail advertising. And at least one direct mail operation disputes the results of the NAB survey.

"I would say that the movement of advertised goods is 50 percent better with mail than with newspapers," says Bob Fant, director of advertising and public relations for Scotty's in Winter Haven, Fla.

(Continued on page 73)

Most Believable Advertising Medium:
Demographic Profile

	Newspapers	TV	Magazines	Ad Mail
By Income				
Under $15,000	44%	23%	4%	13%
$15,000-$24,999	47	21	9	7
$25,000-$34,999	48	22	11	8
$35,000+	48	17	12	5
By Age				
18-29	41	27	11	8
30-44	43	21	10	7
45-64	54	18	8	8
65+	55	19	4	6
By Sex				
Female	49	20	8	8
Male	46	24	10	6
By Region				
Northeast	55	18	11	9
South Central	56	18	7	9
South	41	24	8	6
West	49	19	8	7

Source: Newspaper Advertising Bureau Inc. *NHCN* chart

Plywood Minn. eyes specialty niche in future

By Gary S. Ruderman
NHCN staff editor

CHICAGO — Plywood Minnesota is shedding the past.

Product lines have been cut back and refined. Three unprofitable units—two in Chicago suburbs and one in nearby Indiana—were closed earlier this year. And employee ranks shrank to 94 from 140 a year ago.

And after years in the doldrums, the five-unit Plywood Minnesota of Illinois plans to emerge in 1988 as a medium-to-high end, special order showroom operation that its officials are tentatively calling Chicago Kitchen and Bath.

Management is letting current leases expire on large, free-standing but under-used showroom/warehouses. Replacement units, including some new units planned for 1988, will put Plywood Minnesota in smaller showrooms inside shopping malls.

To support the new look, the chain cut product lines

(Continued on page 73)

INSIDE

Builders Square: Taming the Beast

Builders Square has become more than a chain: It's a phenomenon. In four years, it has grown to 118 units which are expected to do more than $1 billion in sales this year. Led by Frank Denny, the former president of W.R. Grace's home center division, and with help from corporate parent Kmart, Builders Square is on the verge of becoming the industry's largest retailer.

Beginning on page 23, *NHCN* examines how far Builders Square has come, and where the chain might be going in terms of growth, management and, perhaps most important, profitability.

NEWSBREAKS

PAYLESS TO CLOSE STORES, DCs: The Kansas City, Mo., chain will take a special charge, estimated at around $12.6 million, in the fourth quarter associated with the closing of an undisclosed number of retail and warehouse facilities because of "overlapping sales territories or reduced market opportunities," and the termination of a financing agreement with the bank handling its private credit card, which has Payless assuming accounts receivable. The charge is estimated to equal 37 cents per share.

INDUSTRY UPDATE

Ernst donates to shelter

SEATTLE — Ernst Home & Nursery was slated to hold a grand opening on Thanksgiving Eve, Nov. 25—not for a new store, but for an emergency homeless shelter. Ernst donated more than $25,000 in materials for the remodeling of Washington state's largest emergency shelter, located in downtown Seattle.

Members of the Mr. Build franchise program donated repair services for the shelter project. Mr. Build is used exclusively by Ernst in its installed services departments. Gordon Erickson, director of home installed sales for Ernst, said the shelter occupies 1,000 square feet of an older hotel in Seattle's historic Pioneer Square district.

The project included making shelter improvements such as the addition of a food preparation room and laundry/personal care area. At the ribbon-cutting ceremony, attended by Seattle Mayor Charles Royer and other civic leaders, Ernst planned to distribute 300 box lunches to the shelter's clients.

Nortek bids again for Kincaid

PROVIDENCE, R.I. — Once again, Nortek has turned a hungry eye toward Kincaid Furniture of Raleigh, N.C. In late November, Nortek sent a letter to the furniture company offering to reopen negotiations at $14 per share, or a total of $47 million.

This time around, though, the parent of Dixieline Lumber is making its bid a friendly one, with the idea of avoiding the negative reaction its original hostile tender offer had in the Kincaid boardroom (*NHCN*, Nov. 16).

"We are as interested now as we were then, and we feel the acquisition would still be advantageous," said Kenneth L. Donoghue, spokesman for Nortek. Donoghue added that Kincaid's stock price had dropped following the crash of October. Earlier this month, Kincaid stock was trading at $12, down from its $18.25 year high. Nortek said it had not yet received a response from Kincaid.

Monarch buys BWB Glass Co.

KAHULUI, Hawaii — Monarch Building Supply, one of this state's largest lumber and building materials retailers, recently acquired BWB Glass Co. The purchase of this wholesale and retail distributor of glass and glazing products will complement the company's existing building materials mix, according to Jim Rodden, president.

The addition will increase Monarch's dominance on the neighbor islands of Maui and Hawaii. It already operates a 9-acre yard with a truss plant, prehung door plant, planing mill and a home planning division on Maui. In addition, it has five other stores, including one unit in Honolulu.

The glass company will continue to operate under the BWB Glass name and retain its personnel. Its former president, Buck Worthen, will stay on as a consultant; Eloise Bal will remain as general manager; and Donald Nakagawa as shop foreman.

Home Lumber closes down

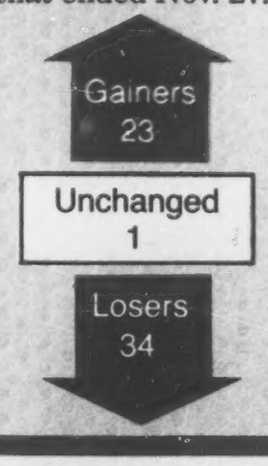
ALAMOSA, Colo. — The Home Lumber Co., a three-yard traditional lumber and building materials retailer, shut down its operations here as a result of the region's chronic economic woes.

The company was formed in 1983 when three partners formed the capital to buy a string of old lumberyards, some of which were 50 years old, according to *Lumberline*, the newsletter of the Mountain States Lumber and Building Material Dealers Association. The principals of the defunct company could not be reached for comment.

Majority of stocks decline

NEW YORK — Home center stocks turned in a mixed performance for the two-week period that ended Nov. 27. Of the 58 stocks tracked for *NHCN* by Media General, 23 increased in price, one remained unchanged and 34 dropped in value.

Among retailers, Pay 'N Pak increased by 6 percent to $15.38. National Lumber went up 3.2 percent to $4.00. The greatest loser for the period was Payless Cashways, which dropped by 17.9 percent to $11.50. Grossman's dropped 8.9 percent to $5.13.



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Handy Andy acquires properties for expansion into Toledo market

By Gary S. Ruderman
NHCN staff editor

TOLEDO, Ohio — Handy Andy Home Improvement Centers will open three units in Toledo, Ohio, next year, *NHCN* has learned.

On Nov. 20, Handy Andy closed on the purchase of two properties and signed a 25-year lease on a third, all former Cook's United stores, according to Mark Zyndorf, president of Zyndorf/Serchuk Inc., a Toledo commercial real estate broker.

Steve Kadish, Handy Andy's senior vp, confirmed the purchase of the three sites. He noted that they were scheduled to be reopened in September 1988 after being refurbished "to offer the public our 25,000 products in an enjoyable and exciting shopping environment."

Kadish added that the chain will open two other units in 1988, although he declined to specify their locations. He could not comment on what names the stores will use.

Steve Kadish
senior vp, Handy Andy

The Toledo operations would be a natural "bridge" between Handy Andy's Forest City units in Detroit and Cleveland. The chain, based in Schaumburg, Ill., also has units in Akron, Ohio. Zyndorf said construction should get underway March 1, 1988, with possible unit openings in late summer or early fall.

Zyndorf confirmed Handy Andy paid $1.2 million for a 90,000-square-foot store in south Toledo, $1.125 million for a 100,000-square-foot building in east Toledo and signed the long lease for a 100,000-square-foot building in north Toledo.

"It's a real plus for the community," said Zyndorf. He said the home improvement retailer anticipates 300 new retail jobs will be created when the units open.

It was unknown whether the units will be called Handy Andy or be more closely identified with the 18-unit Forest City, acquired by Handy Andy earlier this year.

The proposed south Toledo unit would compete with a newly opened Builders Square and the north unit is five miles away from an Andersons General Store, a 235,000-square-foot specialty food and home center hypermarket.

Handy Andy operates a total of 44 units in Illinois, Wisconsin, Indiana, Michigan and Ohio. *NHCN* estimates 1987 sales at more than $400 million.

Lowe's trying out warehouse racking to promote self-service

By Suzanne Floyd
NHCN staff editor

NORTH WILKESBORO, N.C.— Lowe's is experimenting with 8-foot warehouse racking throughout most of its existing Morganton, N.C., store. And, where appropriate, gondolas are also 8 feet high.

The success or failure of this one-store experiment will determine if the high-rack concept will be rolled out chain-wide, said Cliff Oxford, Lowe's vp-corporate relations.

The motivation behind the change was described as customer-driven. James Lyall, vp-design services, added that it was part of Lowe's shift toward self-service. "The idea is to have more 'take-with' merchandise on the floor," he said.

Although there will be an increase in merchandise on the retail floor, Oxford said that Lowe's will not be adding items to the product mix.

Lyall explained that the additional merchandise creates an impressive effect for the consumer. "It makes us look like we're really in the business.

"We wanted to create a tight store effect, not a crowded effect," said Oxford.

While much of the racking is described by Oxford as warehouse racking, he stressed that Lowe's did not intend to present a warehouse look to the store. Lowe's units generally have 8-foot-high gondola racking only around their interior perimeters, with rack heights getting smaller towards the middle of the floor in order to create a stadium-type effect.

As the unit was about to reopen in early December, a number of factors were still to be determined, including the amount of merchandise that will be added to the showroom and the cost difference between an existing store format and the high rack prototype.

O'Malley's replaces gm, closes 3 units

By Brad Altman
NHCN staff editor

PHOENIX — O'Malley Lumber Cos.' credit manager James F. Sullivan Jr. has been named to replace Michael O'Malley as general manager. And, in a separate development, the chain's retail division has closed its three building materials centers in Tucson, Ariz.

Michael O'Malley "left the company" Nov. 2 after only 11 months in that job, said O'Malley Lumber Cos.' chairman Thomas E. O'Malley, who declined additional comment. Thomas is a second cousin of Michael O'Malley, a fourth-generation descendent of the founder of the 79-year-old company. Michael could not be reached for comment.

In recent months, O'Malley's retail division has been shifting away from the consumer to the contractor side of the business to bolster profits and market share. Sullivan, a 20-year company veteran, becomes the fifth general manager of the retail division since 1985. He declined comment on his appointment.

The shuttering of the three Tucson building material centers lowers O'Malley's units to 13 consumer-oriented outlets and two contractor yards.

The original expansion into Tucson was made after the O'Malley company bought four Handy Andy stores in 1983. One was closed in 1984 and the remaining three were changed to the O'Malley name and format in early 1985. These units were not part of the Handy Andy chain based in Schaumburg, Ill.

Michael O'Malley moved from the Mallco wholesale building materials subsidiary in December 1986 to replace then-general manager Richard Passaglia. Industry veteran Passaglia had joined O'Malley in January 1986 and was dismissed along with nine other company headquarters employees late that year (*NHCN*, Jan. 12).

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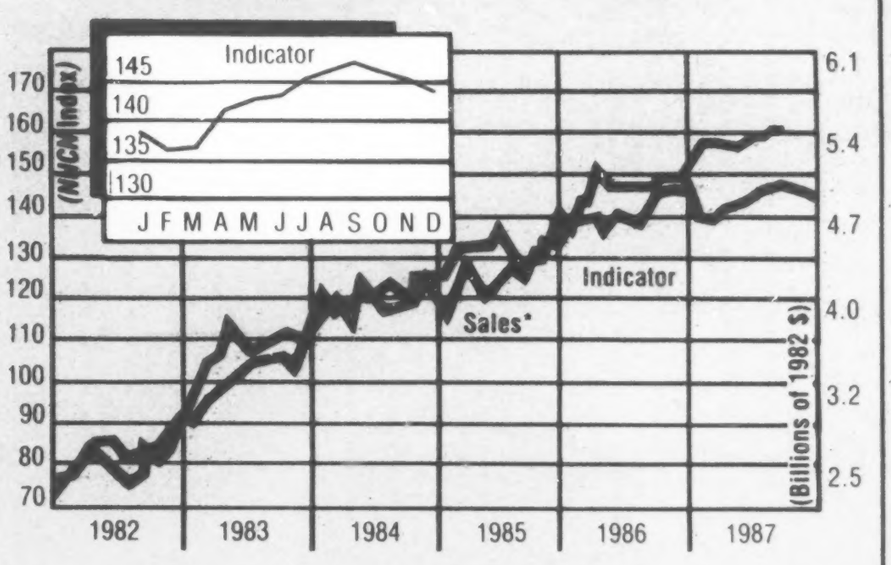


*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building material sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

Maintenance spending will show growth in coming year

By Richard E. Mount
Special to NHCN

Building material sales will increase 4 percent in 1988, unchanged in unit volume, while housing starts will decline 12 percent and resales 5 percent. Consumer spending on maintenance and repair work will be one of the rising markets for sales in 1988 when builder demand turns lower.

Maintenance and repair spending, in unit volume, declined 1 percent in 1986 and appears to be headed for a 3 percent fall in 1987 after its weak second-quarter performance. The declines of the past two years come after jumping 51 percent in 1984 and 22 percent in 1985.

Maintenance and repair covers minor work—such as repainting a room, replacing carpeting, or small electrical repairs—to existing structures. It does not include reroofing, replacing heating systems, or repaving driveways.

Richard E. Mount

Yet, in the $92 billion market for residential alterations and repair, maintenance and repair amounts to $36 billion.

Maintenance and repair spending tends to lag behind the housing cycle. Three to four years after moving into a new home, minor changes are made.

Economics also play a part—rising unemployment postpones many of the larger do-it-yourself projects, especially when accompanied by

(Continued on page 15)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986		1987				1988				
		QIII	QIV	QI	QII	QIII	QIV	QI	QII	1986	1987	1988
***NHCN* Leading Sales Indicator** (January 1980 = 100)		132.1	137.1	141.1	143.8	146.4	143.7	142.7	142.3	130.4	143.8	143.3
General Economic Outlook												
	GNP $1982 Billion	3,718.0	3,731.5	3,772.2	3,795.3	3,831.2	3,861.3	3,847.2	3,860.0	3,713.3	3,815.0	3,869.5
	Real Disposable Income $1982 Bil.	2,653.2	2,656.7	2,674.6	2,645.5	2,676.1	2,685.6	2,692.0	2,704.4	2,645.2	2,670.5	2,712.2
	Housing Permits (000 SAAR)	1,678	1,696	1,682	1,536	1,497	1,475	1,350	1,360	1,762	1,548	1,369
	Housing Starts (000 SAAR)	1,758	1,702	1,795	1,612	1,613	1,550	1,430	1,430	1,806	1,643	1,438
	New Home Sales (000 SAAR)	685	712	724	674	674	650	600	610	749	681	610
	Resales (000 SAAR)	3,615	3,927	3,617	3,610	3,430	3,425	3,325	3,325	3,565	3,521	3,338
	Prime Rate %	7.9	7.5	7.5	8.1	8.4	8.6	8.1	8.0	8.4	8.2	8.3
	Mortgage Rate % (HUD)	10.2	9.7	9.1	10.3	10.5	10.8	10.3	10.2	10.2	10.2	10.7
	Consumer Price Index (1967 = 100)	328.4	330.7	335.0	339.0	342.3	345.8	349.8	353.9	328.3	340.5	356.3
	Producer Price Index (1967 = 100)	288.2	290.2	292.4	295.9	297.7	301.4	305.4	309.5	289.8	296.9	311.5
	New Housing Affordability 1980-100)	126.1	128.9	129.2	123.4	117.4	114.2	117.2	119.2	128.3	121.1	116.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	100,300	88,900	91,500	88,900	93,649	95,645	96,543	98,459	91,150	92,424	99,506
	Maintenance and Repair	39,500	37,700	37,500	32,400	36,989	37,487	37,979	38,597	36,075	36,094	38,929
	Additions and Alterations	42,400	36,100	36,300	42,100	39,719	40,757	41,400	42,289	38,225	39,719	42,823
	Major Replacements	18,400	15,100	17,700	14,400	16,941	17,402	17,164	17,573	16,850	16,611	17,754
Constant	**Total Millions $1982 SAAR**	89,910	81,090	81,500	77,890	81,240	82,150	82,100	82,900	82,165	80,695	83,350
	Maintenance and Repair	35,410	34,390	33,400	28,390	32,090	32,200	32,300	32,500	32,540	31,520	32,613
	Additions and Alterations	38,010	32,930	32,330	36,880	34,450	35,000	35,200	35,600	34,435	34,665	35,863
	Major Replacements	16,490	13,770	15,770	12,620	14,700	14,950	14,600	14,800	15,190	14,510	14,875
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,486,596	1,485,648	1,469,808	1,503,848	1,534,188	1,524,062	1,528,882	1,545,533	1,445,875	1,507,977	1,555,676
	Total Minus Automobile	1,122,908	1,133,900	1,155,900	1,164,940	1,173,800	1,180,916	1,187,705	1,198,150	1,117,943	1,168,889	1,206,403
	Building Material, Hardware, Garden Supply, Mobile Home	88,884	89,488	91,132	89,596	90,116	90,166	90,646	91,461	88,009	90,252	92,216
	Building Material and Supply	62,956	64,584	69,660	68,976	71,616	71,666	72,048	72,800	65,529	70,480	73,648
	Hardware	11,832	11,748	12,092	12,108	11,820	11,816	11,878	12,049	10,700	11,959	12,161
Constant	**Total Millions $1982 SAAR**	1,389,643	1,381,478	1,346,715	1,359,304	1,375,541	1,352,933	1,343,774	1,344,959	1,359,694	1,358,623	1,346,953
	Total Minus Automobile	1,064,708	1,069,709	1,069,597	1,063,876	1,065,477	1,061,323	1,056,856	1,055,594	1,057,464	1,065,068	1,057,512
	Building Material, Hardware, Garden Supply, Mobile Home	84,518	83,480	84,277	82,553	82,423	81,652	81,274	81,193	83,303	82,726	81,449
	Building Material and Supply	59,866	60,242	64,420	63,551	65,503	64,900	64,600	64,500	60,490	64,594	64,725
	Hardware	11,251	10,960	11,182	11,157	10,811	10,700	10,650	10,675	10,640	10,963	10,688
	Building Materials % of Total Less Automobile ($Current)	5.61	5.70	6.03	5.92	6.10	6.07	6.07	6.08	5.86	6.03	6.10

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Repair spending will show growth in 1988

(Continued from page 14)
rising interest rates. A soft economy often increases repainting by the homeowner rather than by a contractor. The attitude of "fix-up" replaces that of major home improvement.

1988 turns the corner

After declining in real volume during 1986 and 1987, maintenance and repairs should turn upward in 1988. Over the past two years it was the weakest of the three categories of alterations and repairs. In 1988, it is likely to be the strongest by a small margin.

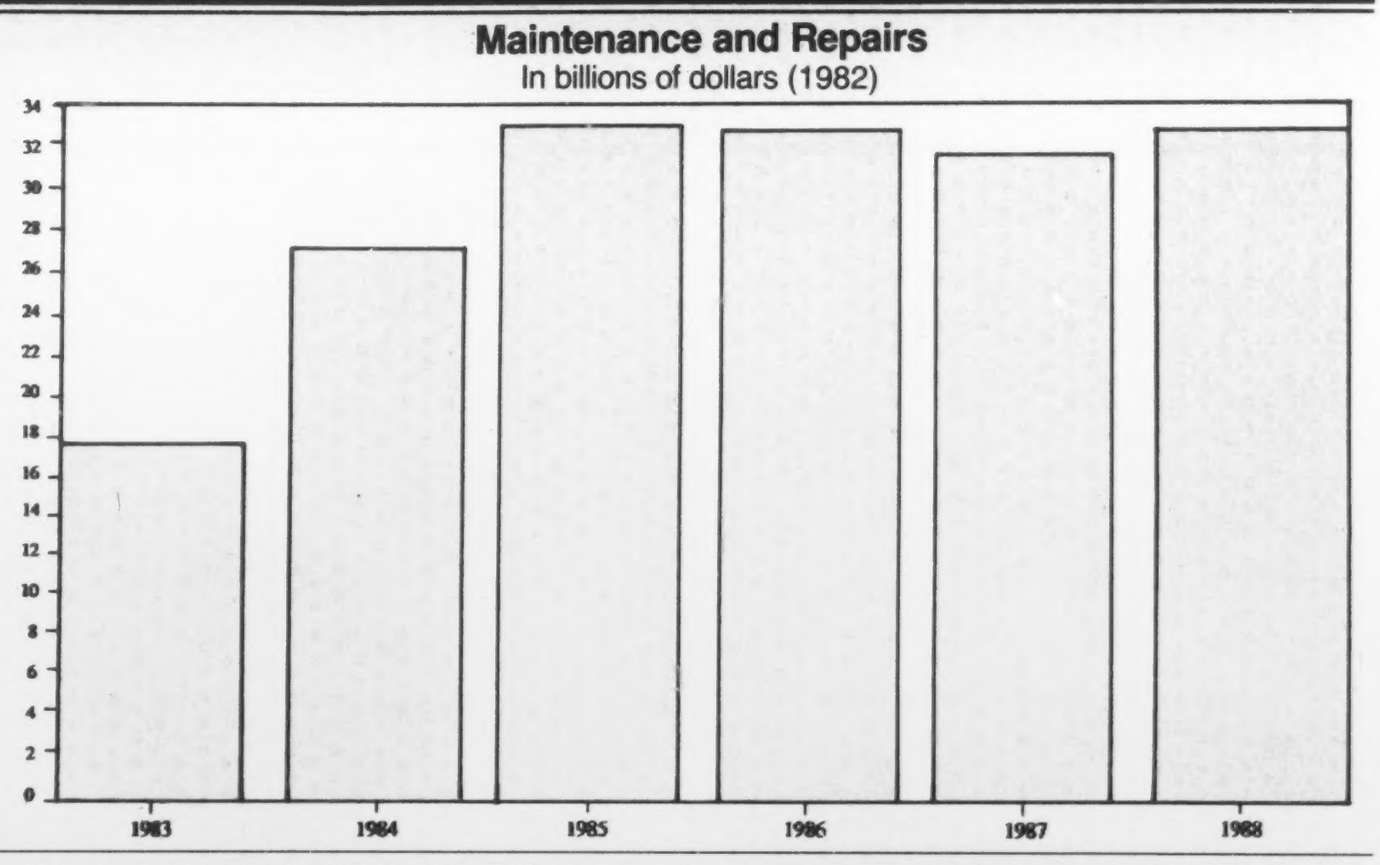
Strength in new housing starts from 1983 to 1985 will increase the demand for the maintenance and repair of these units. While building material suppliers to builders are concerned if 1988 housing starts will be 1.5 or 1.4 million units, the market for maintenance and repair is in the 101.5 million homes already built.

The economy will not be growing as rapidly in 1988 as in 1987—real GNP will be up only 1.4 percent versus 2.7 percent in 1987. The consumer is expected to be in a consolidating phase—cutting spending, reducing debt, increasing savings.

Consumers will be looking to cut costs, and maintenance and repair should benefit while major replacements or alterations should not be quite as strong. The major areas for consumer retrenchment will be in big-ticket items—autos and new homes.

While building material sales are expected to be up only 4 percent in 1988, specific markets will be undergoing larger shifts.

New home demand will be down, with multi-unit demand off more than single. Alteration and repair work will be up, however, spurred by a recovery in maintenance and repair after a two-year correction. Within the maintenance and repair market, sales should increase slightly stronger to the homeowner than the contractor.



Liberty signs on commodity vendors for dist. program

By an NHCN staff editor

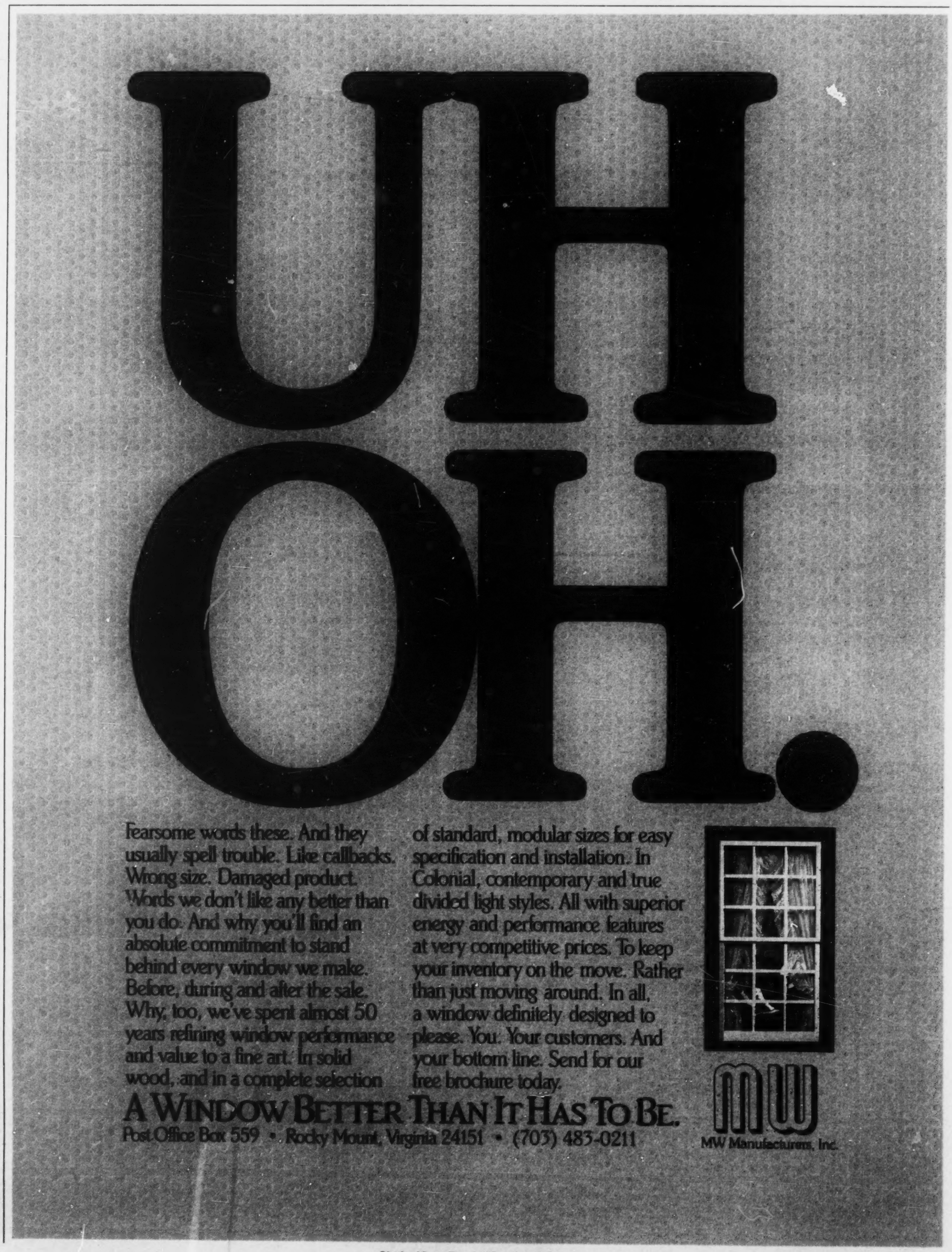
DES PLAINES, Ill. — Liberty Distributors' new lumber and building materials program recently signed on its first commodity vendors.

Liberty, a wholesaler buying group, last month signed up Manville Fiberglass Insulation, Celotex roofing and wallboard, IKO roofing and U.S. Gypsum sheet rock and accessories as commodity suppliers. Ted Geocaris, Liberty's director of building materials distribution, said first orders for wallboard, roofing and insulation came in Oct. 1.

The commodities join fiberglass panels, DIY range hoods, bath vents and lattice panels as a part of Liberty's offering. Roof coatings and tub and shower enclosures are also part of Liberty's commodities distribution program.

Geocaris said the buying group will talk with 25 other vendors over the next year to flush out the new program.

A direct mail tab is in production—the first in the group's 53 year history. Geocaris said 11 of 26 participating Liberty wholesalers should receive it in January, and will offer the direct mail piece to the 700 Trustworthy dealers for a summer mailing.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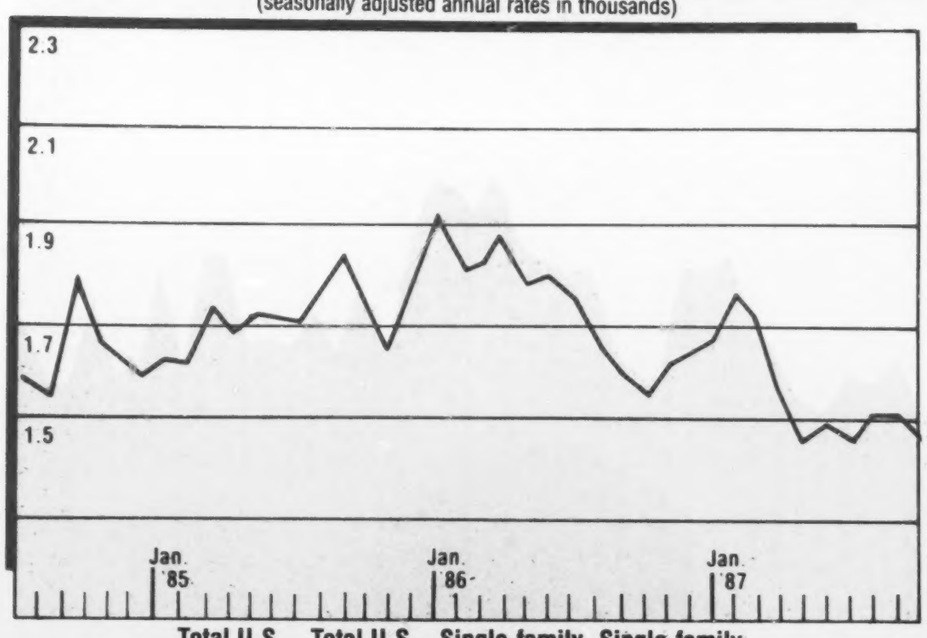
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates in thousands)



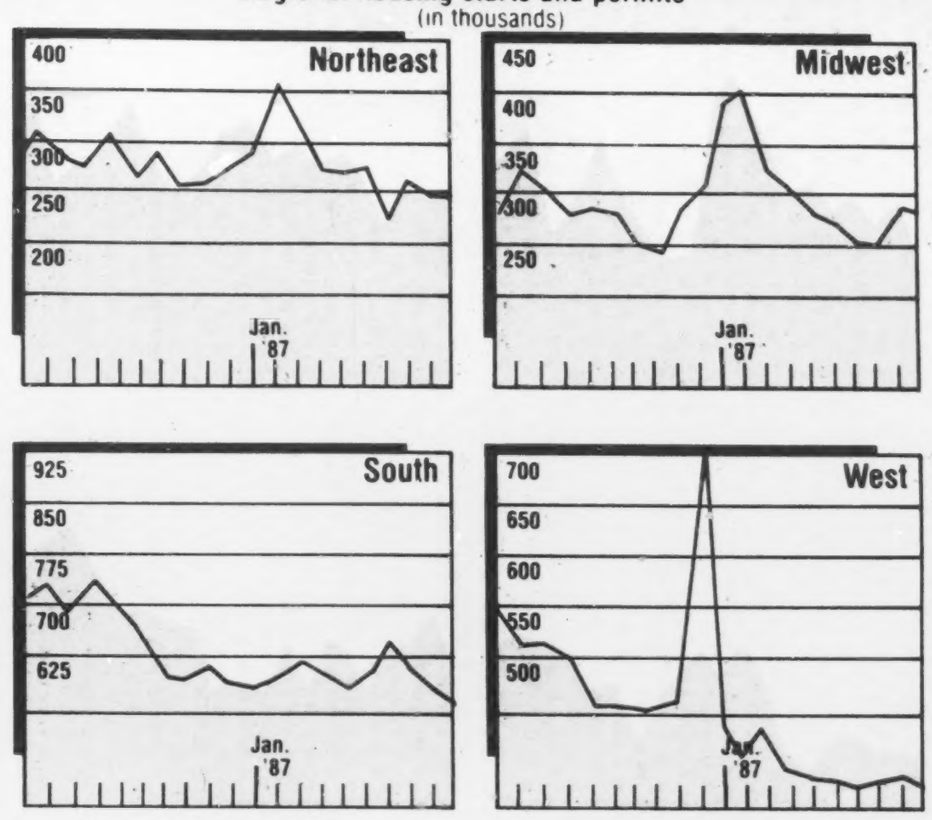
	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
October '87[p]	1,513	1,451	1,111	977
September'87[r]	1,648	1,487	1,103	992
October '86	1,522	1,604	1,506	1,438

[p]preliminary [r]revised

Source: U.S. Commerce Department

Key: permits, starts

Regional housing starts and permits
(in thousands)



Oct. housing starts plummet

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — If Oct. 19 was Misery Monday for the stock market, Nov. 18 was Worrisome Wednesday for the housing industry.

The government reported that housing starts dropped a whopping 8.2 percent between September and October, reaching their lowest level in more than four years.

Construction and real estate industry watchers weren't panicking, but they were clearly concerned in the days following the announcement.

Economists blamed the construction decline on interest rates that had risen sharply in September.

October's 1.51 million-unit annual rate was "within the range we were expecting, but it was low," conceded Bob Villanueva, a vice president for forecasting at the National Association of Home Builders in Washington.

"Although this was in the realm of possibility it was something we didn't expect to see until December."

Regional Housing
July '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	246	– 1.0	246	–4.0
West	414	– 1.2	367	–7.6
South	615	–10.9	557	–3.3
Midwest	238	–19.3	281	–1.0

n.c. = no change
Source: U.S. Commerce Department

Rates, which hovered at 12 percent just before the stock market crash, dropped afterward to around 10 percent. They are now almost 11 percent.

While the market crash may have done other economic damage, economists say the market may have done the housing industry a favor by bringing interest rates down.

"We've never seen interest rates come down as sharply as they did after the stock market crash," said Walter Molony, a spokesman for the National Association of Realtors.

But he warned:"We expect them to go up again after the first of the year."

Villanueva concurred.

"What you may be facing here is a situation where we have a more cheerful outlook than we expected for the next six months," he said. "But that's only for the next six months."

Because the median price is more for a new home than a resale, new construction is more likely to be hit if rates shoot up again.

The median price for existing homes is $84,900. The median price for a new home is $105,400 and rising. Some 75 to 80 percent of all home sales are resales, said Molony, and that number is also rising.

"We do have a growing affordability problem with new homes," Molony said.

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Merchandising

Vendors see chain on the threshold of market maturity

By John Caulfield
NHCN staff editor

NATIONAL REPORT — The Builders Square that commodities and hardlines suppliers see is a chain run by highly professional, flexible, hard-working managers who rely heavily on vendors to come up with merchandising programs and help train in-store people.

Interviews with 18 of Builders Square's approximately 400 vendors also found the company's corporate managers looking to install systems and controls over what, up to now, has been a juggernaut concerned only with gaining national market share at all costs.

Cut-throat pricing, while still a fact of life, is slowly but surely succumbing to merchandising programs with the goal on profitability.

Builders Square is also attempting to automate completely its inventory reordering and management (through the Eagle system), as computerized perpetual inventory is expected to be fully operational chainwide by Jan. 1, according to several vendors (*see related story*).

"K mart has been fully supportive of Builders Square's expansion," said Ken Johnson, national accounts manager for Owens-Corning Fiberglas, of the chain's parent. "But as the stores reach maturity, they need to become profit entities, and it appears Builders Square is taking a somewhat more conservative approach to its operations overall."

Vendors report, though, that except for the financial support it gets from K mart for expansion, Builders Square still maintains virtual autonomy from the Troy, Mich.-based discounter.

Praise top brass, buyers

While most vendors said their main contact at Builders Square was the buyer, they also insist that higher level managers—from merchandising vps Lynn Cornelius and Bob Shaw to executive vps Frank Powers and Jud Walford to president and chairman Frank Denny—eagerly participate in many merchandising decisions.

"All you have to do is look at the higher-ups—all with merchandising backgrounds—to see why this is," said Rick Coit, vp-sales for Ames Lawn and Garden Tool. Dave Roberts, merchandise manager for EZ Paintr, added that Builders Square's management was "already expert in retail and knew the concept. They wanted vendors to help make it work."

"Professional," "loyal" and "flexible" were descriptions used by many vendors to characterize Builders Square's management and merchandisers. Most vendors saw the chain as accommodating, open to suggestions, whose people make well thought out decisions on products and buy with a minimum of red tape. Roberts of EZ Paintr described the chain's style of negotiating as "decisive, with a high level of urgency."

"They are very clever merchandisers, fair, loyal, and rarely switch suppliers, which is why vendors bend over backwards for them," said Joe Bancroft, chairman of Croft Metals, the chain's long-time metal door supplier.

This is not to say, though, that the chain doesn't appreciate its own clout with suppliers. "Builders Square can be difficult; they are big and they know it," said Bill Carraway, national accounts manager with TECO, which sells over $1 million in builders hardware to the chain annually. "But with an account this size, and the exposure it can give your product, you adapt."

Vendors are unanimously impressed—almost to the point of being in awe—with the way Builders Square has opened 88 stores in the last two years, and the majority claim to have had no problem reaching a buyer or vice president when they needed one.

Vendors are impressed by Builders Square's professionalism, and like the exposure their products get.

Photo courtesy of Discount Store News

But, for some, this growth, and the travel demands it has placed on the chain's key personnel, have been obstacles to communication with vendors.

"I think Builders Square is terrific, but its buyers and executives simply don't have the time to look at new things," said the regional sales manager for one of the chain's electricals suppliers. Sam Gaddis, director of national sales for Georgia-Pacific, agrees.

"They've grown so fast that they haven't been all that accessible," Gaddis said. "And on products like ours, whose price change every day, communication is essential. So, you just keep calling."

Boosting margins a bit

In competing for Builders Square's business, vendors still have to be "sharp on price," according to the above-mentioned electricals supplier. Bob Koch, director of consumer marketing The Glidden Co. (Builders Square's main paint supplier), confirmed this, saying the chain still practices "extremely aggressive pricing."

But it appears Builders Square is becoming more concerned with what Frank Xavier, senior vp-sales/marketing for PermaBilt, the vanities and cabinet supplier, called "the full service program."

Gaddis of G-P noted that the chain's main negotiating thrust "is now making sure they have enough merchandise in the stores instead of just price." And VerNeil Mesecher, national accounts marketing manager for Weyerhaeuser, thinks there has been a change in mindset about promotion and profitability at the chain in general.

"We're coming from an era where everything was price-sensitive to where Builders Square has recognized that people are willing to spend more for quality merchandise," he explained. "It's not necessarily price anymore for them, but price, quality and service."

Consequently, a number of vendors have seen the chain, since last spring, slowly raising prices on selected items.

"Builders Square is not hitting on price the way it once did," noted Jim Albritton, regional sales manager for Makita, which sells more than $80,000 worth of tools and accessories per store to the chain.

He reported that, in the past six months, Builders Square has raised prices on many Makita power tools by as much as 5 percent. "Now they're able to make a profit selling our products."

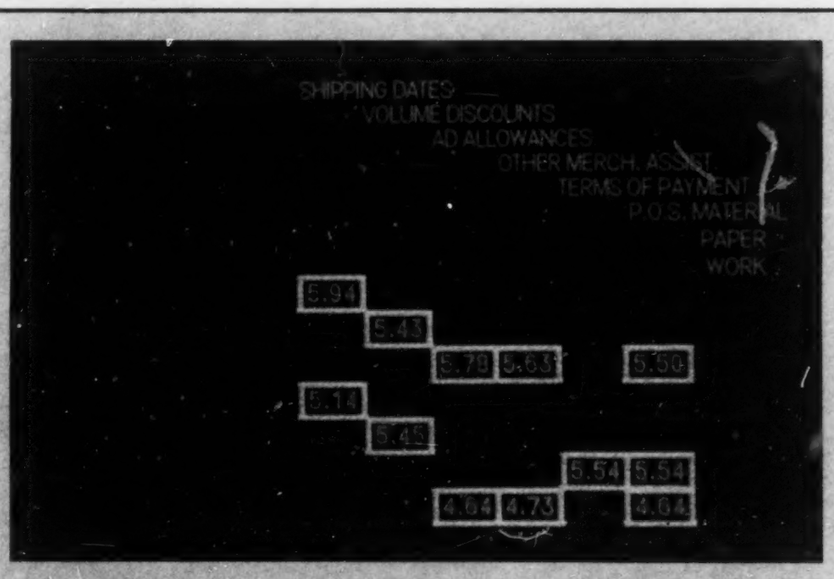
Most vendors believe, though, that Builders Square has not completely abandoned its low-price image (many alluded to the amount of media advertising the chain does in all its markets as proof of its promotional strategy), but is just being more selective in its implementation.

"They'll get zero profit on specials like our 25-foot tape rule, but overall I'd say they're making money now on what we're selling them," said Paul Forehand, a sales rep for Stanley Tool, which supplies Builders Square with 690 skus of carpenters tools.

With the advent of perpetual inventory control next year, and with the prospect that its expansion is slowing down to a 20 to 25 new-store-per-year pace, it isn't all that remarkable to hear from vendors that Builders Square is looking at its business a different way than it did two years ago.

The question is whether Builders Square can achieve the profitability it seeks within the highly competitive retail home improvement environment its growth has helped to create and stimulate.

"They've spent so much time opening stores that now they have to see if they can control what they've got," said G-P's Gaddis.



Earlier this year, vendors were polled on their relationship with a number of home improvement chains, including Builders Square. They were asked to rate the pressure exerted by each chain on a scale of 1 to 9, with 9 being the most pressure.

On the whole, Builders Square was seen as being pretty easy to work with, compared to other home center operators. Like Home Depot, its main warehouse competitor, Builders Square demands the most from its vendors when it comes to shipping dates. Surprisingly, it was seen by vendors as far more lenient on volume discounts than all other chains evaluated but Hechinger.

The survey, conducted for *NHCN* by Leo J. Shapiro & Associates, also found that vendors, for the most part, felt that the more pressure a retailer exerted on a supplier, the more positive the vendor/dealer relationship. Paradoxically, while Builders Square was viewed as being a fairly non-pressure operator, the chain ranked third—behind Home Depot and Wickes and tied with Hechinger—as having helped to influence vendors' businesses.

Suppliers play major role in training store personnel

By an NHCN staff editor

NATIONAL REPORT — Most vendors applaud Builders Square's buying expertise, and report that its attempts to systemize its ordering and reordering is starting to work smoothly.

They also claim that while their own involvement in in-store maintenance and merchandising is marginal after a program is in place, they are extensively involved in training store personnel at all 118 of Builders Square's warehouse facilities.

Centralized buying

While most of the chain's hardlines buyers operate out of its San Antonio, Texas, headquarters, Builders Square has split up its commodities buying responsibilities regionally into six areas of the country: Los Angeles, Chicago, Detroit, San Antonio, Atlanta and one other northeastern city. Lumber and other building materials are purchased on a typical "bid and ask" basis weekly.

Where the company, when it first started out, would buy through commodities distributors, it is now large enough to buy mill direct from virtually any supplier. So it is not uncommon for each store to take a truckload of roofing ($4,000 worth) and insulation ($7,500 worth) from Owens-Corning, according to national accounts manager Ken Johnson.

But ordering of all products, regardless of vendor, still requires approval from San Antonio. "If I'm dealing just with a store manager or a regional guy and place an order, I will not get paid," said Rick Coit, vp-sales for Ames Lawn and Garden Tool.

"We're glad San Antonio approves all orders," noted Gayle Clark, national accounts manager for Regent Lighting, a Burlington, N.C., outdoor security lighting supplier. "Store managers can get a little order happy if left on their own."

Computerized reordering

Indeed, Builders Square, for all intents and purposes, has factored out store personnel from the ordering equation, although it appears that the company, within the past few months, has liberalized its reordering policies to allow

(Continued on page 42)

Seats resigns post as Diamond files reorganization

(Continued from page 1)
wrote: "There are so many opportunities out there [for Diamond] once the plan has been accepted."

The reorganization plan, filed in U.S. bankruptcy court on Nov. 25, divides Diamond's creditors into four classes. Under the plan, small creditors would be paid in full immediately.

Other claims would be paid over an extended period with debt and equity security. According to court papers, Diamond has total liability of $145,628,000. In the first week of December more than $46 million has been identified as secured claims and in excess of $23 million in unsecured claims. The plan also provides for continued ownership of a comparatively small portion of MGC by existing common shareholders.

Linda Sartin, counsel for the creditor's committee, said the plan was being distributed to creditors.

"It's really premature to say what the committee's thinking is," she said.

In addition to the reorganization plan, Diamond must submit a disclosure statement for creditors and stockholders to the court for approval. Grubstein said the company expected to do that in early December. He said the approval process normally takes about a month.

Diamond has 5,000 shareholders and 18 million shares outstanding. Michigan General chairman Shapiro holds 22 percent of the company, the largest single interest.

Seats, 53, spent two years with Diamond, after a long career with Payless Cashways. His resignation was effective immediately.

"Harlon's desire has been to get the company to a point where it could emerge from Chapter 11," said Grubstein. "He has done that exceptionally."

Seats' place on Michigan General's board will be left vacant indefinitely, Grubstein said.

Seats called his parting from Diamond "a real amiable thing." However, one source familiar with Diamond told *NHCN* that Seats was frustrated by the diminution of his authority following the appointment of Schaffer, formerly an official at the Moore's division of Grossman's, as senior vp in September.

Seats said he is receiving "minimal" retirement compensation.

Asked if he would have done anything differently in his effort to avert Diamond's bankruptcy, Seats said he probably would have closed some smaller stores sooner.

In his letter to Shapiro, he said he believes Diamond will survive because its stores that have been closed will no longer hurt the bottom line and their assets can be redeployed. He also thought Diamond's reorganized distribution centers will help solve stock problems, and that company's management is strong.

After taking time off to travel, Seats said he plans to do consulting work in the industry. He said he will also spend time at his newly built home in Kansas City, Mo.

And he joked: "My present plan's to try to remove about 50 pounds of fat from my body," that he put on after quitting smoking.

Mich. General reports 3Q net loss

CARROLLTON, Texas — Michigan General Corp. reported a net loss of $13.8 million for the third quarter of 1987, on sales of $70,981,000.

For the same period last year, the company showed a net loss of $12.7 million, on sales of $109,299,000.

Michigan General is the parent company of Diamond Lumber, which filed Chapter 11 in April.

In its report for the 1987 third quarter, Michigan General said about 44.5 percent of the decline in net sales of $38,318,000 was attributable to the of closing 27 stores. Diamond now has 63 stores compared to 90 a year ago.

For stores that are still open, sales were $59,215,000 for the quarter, compared to $79,696,000 a year ago. But the company said sales were up from the second quarter of this year.

New survey casts doubt on direct mail effectiveness

(Continued from page 1)
Half of Scotty's print advertising budget is devoted to a monthly catalog, and 80 percent of those catalogs are mailed through Advo Systems, one of the country's largest direct mail operations. Fant says Scotty's tested direct mail versus newspaper insertion when it began distributing the catalog, and mail was more effective.

The NAB study is new ammunition in the longstanding battle between newspapers and direct mail firms to win the hearts and minds of advertisers like home center dealers and suppliers.

According to the NAB, 56 billion pieces of direct advertising mail were sent in 1986, at a cost of $17 billion. That's up from 37.5 billion pieces in 1982, the last time NAB did such a survey.

The latest survey was conducted in three phases during January. Initially, 867 people were interviewed, with 658 responding to the second interview and 599 completing the third.

Among retailers, Sears fared the best, with respondents saying they kept almost half the direct mail they received from the mass merchant.

Kroger, the supermarket chain, fared the worst, with five times as much mail being thrown out as kept. Specific home centers were not broken out of the category.

The NAB also found that consumers earning more than $35,000 a year received more direct mail, but threw away a greater percentage of it.

Overall, 75 percent of all mail received in one day was dumped, up from 57 percent in 1982. And mail from national advertisers is more likely to be thrown out than local advertisements.

But Jan Scarmuzzi, director of research and marketing development for Advo says that because direct mail is thrown away doesn't mean it's ineffective.

"The issue isn't who's throwing what away," she says. "If a person reads something, throws it away and goes out to buy, that's great. It doesn't matter that they've thrown it away."

And Scarmuzzi points out that of those people surveyed who are the first to look at household mail, 38 percent read through all of it.

"I'd call that pretty great," she says.

And home center dealers say they're satisfied with direct mail as an advertising instrument.

Fant adds: "Newspapers are very quick to crank out reams of information when they feel their revenue is being threatened. Basically we just consider [surveys] self-serving and we do our own monitoring."

For Star Lumber, in Wichita, Kan., direct mail has proven a better way to reach the right customers, says Dave Gregory, advertising manager for Star.

"Newspaper inserts get us in a lot of [areas] that are totally useless," he says. "With mail we can target it."

Star currently has a total market coverage program through the *Wichita Eagle and Beacon*, consisting of inserts and inclusion in a direct mail package, known as marriage mail.

Gregory says the company is considering dropping the paper and becoming part of a direct mail package developed by Simpson Press of Arkansas.

If Star changes, its direct mailings would increase to 50 percent of its total advertising, from 15 percent. Gregory says the Simpson program would be cheaper.

On the other hand, escalating cost was the key factor in Orchard Supply Hardware's decision to leave direct mail five months ago and return to inserts, says Marilyn Lee, marketing director for the San Jose, Calif.-based subsidiary of Wickes Cos. But Lee says Advo's market penetration was good.

The NAB survey is available from the NAB Research Department—212-704-4565, or 212-704-4567—on a sliding fee basis.

Amount of Ad Mail Sent by Selected Merchants to Survey Respondents

	Sent	Kept	Thrown Away
Total	1,874	501	1,373
Home Centers	**60**	**16**	**44**
Sears	25	12	13
K mart	29	7	22
J.C. Penney	14	10	4
Montgomery Ward	12	3	9
Safeway	5	2	3
Kroger	6	1	5

Source: Newspaper Advertising Bureau — *NHCN* chart

Plywood Minnesota eyes specialty niche

(Continued from page 1)
whose market share and margins have been eroded by competition. Staff has also been pared. Management is in the process of looking for outside sales people.

It also seems ready to discard its inappropriate moniker. Since 1982, when the chain was cut loose from the original Plywood Minnesota in Minneapolis, the Chicago operation has had a rough time in the Chicago and suburban market, partly because it lacked identity with local consumers—it no longer carried plywood and had nothing to do with Minnesota.

The name confusion didn't cost the chain customers. But it didn't help to expand Plywood Minnesota's customer base, either, said president Craig Davis.

The biggest problem facing the chain has been competition that has eaten into its market share.

Home centers making a strong presentation in kitchens and baths, as well as specialty retailers in wall coverings and carpetings, have cut into its sales. Figures supplied by the company to Dun & Bradstreet show flat revenues hovering for at least two years at around $20 million annually. Davis declined to speak about sales data.

Last year Davis, who at the time was vp-merchandising, and then-president Mary Baim planned to remerchandise the chain into a "design center" format.

But Baim, who remains an owner, retired, and Davis reexamined the Chicago market only to find it more segmented, with new competitors chipping away at "traditional" Plywood Minnesota lines such as carpeting, paneling and wall coverings.

The idea of a "design" store was passed over, explained Davis, because of prohibitive inventory and overhead costs.

That left the 35-year-old Davis, a former Lee Wards Creative Crafts merchandiser who assumed the Plywood Minnesota presidency a year ago, to take the chain's remaining merchandise strengths—kitchen and bath—and go to market.

The first of two Plywood Minnesota units, a prototype, reopened in October in a sprawling mall on the city's southwest side. It is just 2,700 square feet, down from 30,000 square feet in its old building. Individual units no longer stock merchandise, Davis said. The main store on the city's north side acts as a distribution center.

Because of the small space, stores will depend on special-order activity. He said consumers are willing to wait 10 weeks to 12 weeks for "the value package . . . the right kitchen cabinet." The new look, though, is not expected to attract contractors who operate with short lead times.

Its customer base remains "overwhelmingly BIY," Davis said, with about one third of all purchases made by customers asking for installation. The chain uses a subcontractor to provide this service, and expects installed sales to account for one in every two purchases next year.

A small portion of sales are still in carpeting to long-time apartment management firms and remodelers, although carpeting is not part of its mix.

The remodeled unit has a high-end look. A Kohler bath vignette greets customers on one side of the unit as they enter. The other side features high-end kitchen cabinets and vignettes with appliances.

It's the *look* Davis thinks will satisfy consumers. "If you have a look that satisfies the customers' needs, just a small percentage demands a Kohler piece. You can get that look from American Standard or Price Pfister. The look is what they look for."

The only thing left is the company's name change, which may be problematical.

The market already has a Chicago Kitchen & Bath Inc., a showroom and remodeling company that has recently incorporated. Owner Marianne Scarzone said she's never heard of Plywood Minnesota and that the name Chicago Kitchen & Bath is on her incorporation certificate.

Moore-Handley plunges into red after DC problems

(Continued from page 3)
warehouse caused an increase in interest expense to 0.3 percent of sales versus no interest expense for the 1986 quarter.

Many of the sales people had been hired in late 1985 and early 1986 after the bankruptcy of a large competitor, Belknap. "We hired a lot of Belknap people," said Riley. "Most of them didn't work out."

Of 90 sales people/territory managers hired in 1985 and 1986, only 42—less than half—have been retained by the company, according to the quarterly report filed with the Securities and Exchange Commission.

While a number of these sales people were replaced in early 1986, the replacements require a good deal of sales management time and expense.

Average sales per salesman hired in 1986 ran to $470,000 for the nine-month period ended Sept. 30, according to the report. This was a 24 percent increase over the productivity of such managers in 1986. A similar increase in productivity was experienced for sales people hired in 1985.

Looking ahead

Other factors are intended to help the company pull itself up above sea level over the coming six months. It plans to hire fewer sales people in 1988 than in previous years, relying more on growth in average sales per salesman to achieve overall sales increase.

The numbers provided by Moore-Handley reveal the attractiveness of such a plan now. The longer the salesmen are with the firm, the greater the average sales per manager.

Sales people who have been with the firm from six to 25 years achieved $1.1 million worth of sales on the average for the first nine months of 1987, up 4.8 percent from the same period the previous year.

Sales people with five years experience achieved $843,000 on the average, up by 4.1 percent.

The company has also followed through with a plan to increase its direct shipping business. While that softens its gross margins, it also depresses warehouse and distribution expenses.

In any case, the company now has completed its $5 million warehouse addition, bringing its total DC space to 430,000 square feet.

Warehouse addition

"It's designed to enable us to do $200 million in annual revenues," said Riley.

That should last the company for the foreseeable future. On the other hand, Riley pointed out that the company has doubled its volume in the past four years. So another warehouse space may be in the cards eventually.

In the meantime, Riley won't predict what performance Moore-Handley will have the next quarter or year. But it's a cinch when the company next expands its warehouse, it will burn some midnight oil to develop more careful contingency distribution plans.

New Jersey dealer fights back after arson

(Continued from page 1)
Two months later, the second fire destroyed two buildings, one of them the showroom. The other building contained much of the company's inventory in hardware, paneling, molding and millwork. The fire also consumed lumber stored on the yard.

Total damage from both fires was estimated at $1 million.

But Fanale said the devastation, coming on the 100th anniversary of the company's operation, will do anything but put the dealer out of business.

"A lot of people would pack up and go when something like this happens," Fanale said, "but we're not going anywhere."

He said the company has been operating from a 40-foot trailer ever since the mishap, but the customer reception to the cramped quarters and his employees resolve to restore full services had been gratifying. At the same time, Fanale said vendors have been understanding, and have assisted the company as well.

The combination of loyal customers, committed employees and supportive vendors is encapsulated in Dillistin's new promotional campaign which started recently in *The Bergen Record*. In the photograph that appears with the ad, employees, customers and vendors stand side by side under the company's yard sign.

Work is proceeding on a replacement building that will nearly double the old showroom with 7,100 square feet of selling space and 3,000 of storage. The building is expected to be completed by the beginning of the new year.

"We think it's going to be a state-of-the-art facility in terms of fire prevention," Fanale said, in explaining that a sprinkling system and fire retardant materials will be used to store lumber and paneling.

Fanale said his father and brother bought the century-old company about three years ago. He said the company started off as a store for carpenters, but expanded to include more contemporary product lines. He said the company is also a Trus Joist Products dealer.

Meanwhile, Dillistin continues to offer its $5,000 reward for information leading to the arrest and conviction of the persons or person who set the fires.

Since the middle of the summer, one or more persons have been scorching businesses in Paterson during the weekends. Police investigators have yet to make an arrest.

"Nobody really knows who has been doing this," Fanale said. "Our insurance company even sent a private investigator down here, but he didn't come up with anything.

"We made a lot of friends here, but we also must have made somebody very angry."

The signs outside Dillistin Lumber say it all. The company located in Paterson, N.J., is determined to stay in business after two deliberately set fires. From right to left standing are Sal Fanale, ceo; David Fanale, secretary; and S.J. Fanale, president. Photo courtesy Dillistin Lumber

Mr. Build International plans contractor-oriented showrooms

(Continued from page 1)
It sells master licenses to entrepreneurs who then go to contractors offering franchise agreements that entail business advice, advertising and promotional support plus a network of referrals to a variety of builder tradesmen.

Ernst Home & Nursery Centers, the Seattle-based home center chain, has devoted around 1,500 square feet in 40 of its stores to products that can be installed by Mr. Build-affiliated contractors.

The Mr. Build Plus franchises will be separate from the regular franchise program and will be owned only by general contractors. The showrooms will feature kitchens, baths, window treatments, furniture and accessories.

The franchise fee structure has yet to be worked out for Mr. Build Plus. Mr. Build franchisees, according to public relations director Sherman Tarr, pay the master licensors anywhere from $3,000 to $10,000 up front, plus royalties, depending on the agreement that has been struck.

The Northborough Mr. Build Plus prototype will be the first of between six and 10 Mr. Build Plus franchises projected for the next year. While a few of the locations will likely be located near Hartford, there will be locations throughout the U.S.

The Mr. Build franchises and the prototype Mr. Build Plus were designed by Miller/Zell Inc. Design Center, an Atlanta design firm.

Tarr described Mr. Build Plus as a place where homeowners can go for help on a remodeling project. Instead of having a contractor visit a site, he explained, homeowners visit the showroom for ideas and make arrangements with contractors and decorators at the same time.

Tom Tyska, president of both Mr. Build Plus and Mr. Build International, explained that the prototype Mr. Build Plus was borne out of Flanders' success with the Northborough franchise he has held for three years. He said that although the location is "off the beaten path," Flanders had a gross volume of $2 million last year. Flanders coupled his franchise with a showroom which resulted in the prototype.

Tyska hopes that he will be able to duplicate Flanders' success with the Mr. Build Plus program.

Mr. Build Plus franchises will be sold in two ways: either as a turnkey operation where the Mr. Build Plus corporation will retain ownership of the real estate, storeroom, displays and fixtures and lease it back to the franchisee; or as a whole entity where the franchisee would own the entire operation.

Miller/Zell's role in this endeavor, according to Tarr, would be to provide, among other things, store layouts, graphics, in-store displays and signage. Tarr added that the Mr. Build Plus program was "flexible enough" to help a contractor open a new showroom in, for instance, a shopping mall.

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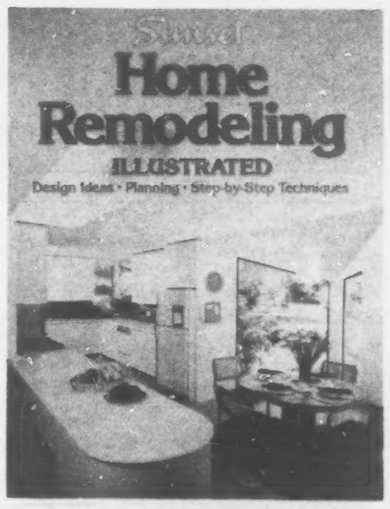

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Hechinger pays $66M to buy Home Quarters

By Elizabeth Brent
NHCN staff editor

LANDOVER, Md. — Hechinger signed a definitive agreement to acquire Home Quarters Warehouse (HQ), the Virginia Beach, Va.-based chain of six stores on Dec. 17 for $66 million.

The 67-unit Hechinger, based here, expects to complete the deal by February 1988. It will run the company as a separate, independent subsidiary, according to Hechinger president John Hechinger Jr.

"We think that Home Quarters is one of the best run warehouse chains in the country and complementary to what we're doing," he said.

HQ's sales were $65.4 million and net income was $1.05 million for the year ended Jan. 25, 1987. For the six months of this fiscal year, HQ earned $770,644 on sales of $42.9 million. Hechinger, whose sales through nine months equaled $553.6 million and net income totaled $29.2 million, estimates HQ sales for all of 1987 will be $100 million. The warehouse chain will continue to operate from Virginia Beach under the Home Quarters name.

Its former chairman Bernard Kossar, who opened the first two HQ's in February 1985, will serve as consultant to both HQ and Hechinger. Frank Doczi will continue as president and chief operating officer. Doczi will report to Steve Bachand, currently Hechinger's executive vp, who will now act as chief executive officer for HQ.

"Home Quarters and I are really inseparable. It's a labor of love and I enjoy it. The last thing in my mind is to do something else [because] I enjoy it too much," said Doczi.

Ironically, had the stock market not taken such a sudden plunge on Oct. 19, this acquisition might not have been necessary. Home Quarters was about to raise $15 million in a public stock offering to fund its expansion when the crash altered market conditions and made the IPO untenable.

HQ was started by W.R. Grace in August 1984. In October 1986, the chain was bought out by its management, in-

(Continued on page 37)

Management group to buy Wickes Lumber in LBO

By an NHCN staff editor

VERNON HILLS, Ill. — A group of senior Wickes Lumber officials led by general manager Les Hagen signed an agreement in principle Dec. 15 to acquire the 241-unit chain from its parent, Wickes Cos.

The management group expected to finalize the leveraged buyout by the end of next month. Terms of the agreement were not disclosed. However, analysts estimated the sale price for Wickes Lumber at between $250 and $350 million. Published reports of a sale price at $200 million were "at the low end," said H. Lloyd Kanev at Smith Barney.

Les Hagen, general manager of Wickes Lumber. NHCN photo

Gerald May, a securities analyst with Paine Webber in New York, said even with a hypothetical sale price of $350 million, the Wickes Lumber management group would have to come up with between $35 million and $50 million in cash.

Hagen said the LBO group had financial backing "in place" but declined to specify from which sources. He was likewise mum on the deal's structure. The deal is contingent on Wickes Lumber getting financing, said Ann Julsen, a Wickes spokeswoman.

In an earlier interview (*NHCN*, Nov. 16), Hagen said Wickes Lumber owns "most of the properties we are on," giving the chain a good base for borrowing against assets.

Led by the 61-year-old

(Continued on page 38)

Florida legislature repeals controversial service tax

By Suzanne Floyd
NHCN staff editor

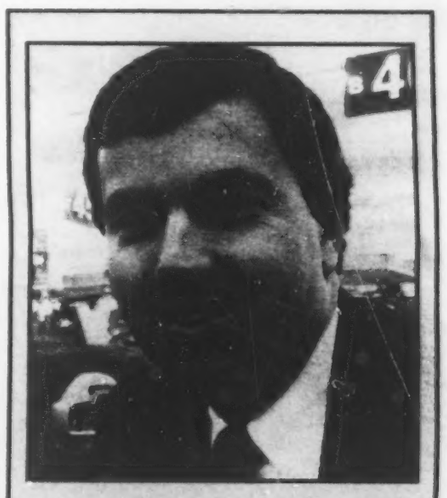
TALLAHASSEE, Fla. — After months of well publicized struggle, the Florida service tax battle is over, with the advertising agencies, lawyers, public relations firms and others in the service sector claiming victory.

The legislature voted to repeal the tax in mid-December, after which Gov. Bob Martinez promptly signed the action into law.

In order to offset the loss of revenue that was anticipated from the ad tax, the state legislature voted to raise the sales tax on goods to 6 percent from 5 percent.

The initial purpose behind the services tax was to bring

(Continued on page 38)



Scott Westlake, president of Westlake Hardware. NHCN photo

Scott Westlake pursues dream of expansion

By Gary S. Ruderman
NHCN staff editor

LENEXA, Kan. — When Scott Westlake was an eight-year-old boy, he used to walk hand-in-hand through Westlake Hardware's stores in Missouri with his father, the company's chairman, F.K. Westlake.

As he matured, the son and his dad "always shared a dream of making this a

Continued on page 38)

Tool rental market catches dealer attention

By an NHCN staff editor

NATIONAL REPORT — Although it is beset by headaches of maintenance, seasonality and the need for tight management, tool rental is being given a shot in the arm by several lumber and hardware dealers who are looking to take their share of what the American Rental Association says is a $7.5 billion market.

The main attraction of tool rental is the prospect of doubling or tripling gross margins over what dealers would get from normal lumber or hardware sales. Most dealers aim to make 95 cents in rental for every dollar that the equipment costs. In addition, dealers can make as much as 50 percent of their revenues from accessories sales.

"The rental business has grown in the last two years," said John Mawdsley, director of national accounts for Skil Corporation, the Chicago tool maker, "partly due to the number of smaller remodelers and contractors who are unwilling to make a large investment in machinery, and also due to the number of people now opening rentals."

Dan Dunham, president of

(Continued on page 38)

Grand Rental Station in Virginia Beach, Va., is part of American Hardware Supply's attempt to tap the $7.5 billion rental market.

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NEWSBREAKS

BUSY BEAVER BUYOUT GOES BUST: A leveraged buyout of Busy Beaver by company managers has been scuttled because financing could not be obtained by those managers participating in the buyout in the wake of the stock market crash. The deal, which was scheduled to close Dec. 3, would have had managers paying $12 million to Dixons Group PLC, Busy Beaver's British parent firm. Busy Beaver president Chuck Bender declined comment on the managers' or Dixons' future plans.

INDUSTRY UPDATE

USG layoffs part of cutback plan

CHICAGO — USG Corp. will lay off several hundred workers as part of its continuing program to cut overhead.

The move will save USG about $24 million annually, according to USG spokesman Paul Colitti.

He would not say specifically how many employees will be affected, but said all are salaried. Cuts will come at USG's corporate headquarters here, as well as at other administrative offices around the country.

This summer, USG also offered a voluntary early retirement program which eliminated more than 100 positions.

Colitti said the company will spend $8 million on a severance program for laid-off employees, which will be charged against fourth-quarter earnings, whose results should be available in January. "We have no reason to expect that we wouldn't have a substantial fourth-quarter profit," he said. USG reported a $44 million profit in the third quarter.

Coast acquires hardware chain

DENVER — CoastAmerica Corporation last month acquired the assets of Bill Watson Hardware, a nine-store chain based in Tampa, Fla.

Sales for the independent in 1986 were in excess of $4 million, reported Daniel L. Shimer, CoastAmerica's vp and treasurer.

Under its new ownership, the hardware chain will be operated as a wholly owned subsidiary under the name Retail Concepts Inc.

"We're excited about the opportunities for geographic expansion in the Southeast and particularly Florida," said Richard H. Bard, CoastAmerica chairman and president, in a prepared statement.

Coast will convert the Watson stores to its Coast to Coast merchandise assortment and ad program. The units will initially be run as company-owned operations.

Scotty's offers new credit card

WINTER HAVEN, Fla. — Scotty's has joined the growing list of retailers offering their own private label consumer credit program.

Scotty's introduced the card last month. Florida's Barnett Bank processes applications and handles receivables.

Dennis Stults, Scotty's president and chief operating officer, said that the chain had been considering a private label card for nearly a decade.

The card will be honored at all Scotty's locations including its hardware stores and factory warehouse outlets.

Stults said that applications for the card have numbered "several thousand so far," which exceeds initial expectations. Stults attributes this to Scotty's substantial promotion of the card, which included newspaper and television advertising as well as direct mail solicitation.

Card holders won't pay an annual fee. The card has a revolving balance, and 18 percent annualized interest.

Paint Factory names dir. of sales

SAN DIEGO — The Paint Factory named Michael Ace to the newly created post of director of paint sales, responsible for buying paint, sundries and finishing products.

Ace, formerly a senior buyer at Irvine, Calif.-based Builders Emporium, most recently was a manufacturer's representative to the home center industry.

In early September, The Paint Factory debuted in El Cajon, Calif., the first of several planned units.

Market sour for industry stocks

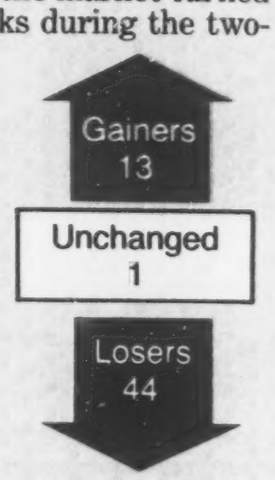
NEW YORK — For the most part, the market turned sour for home center and vendor stocks during the two-week period that ended Dec. 11.

Of the 58 stocks tracked for *NHCN* by Media General, 13 increased in value during the period.

Moore-Handley increased 5.9 percent to $4.50, making it the biggest gainer among wholesalers.

Another wholesaler, Palmer G. Lewis, increased 3.8 percent to $6.75.

Hughes Supply increased 3.4 percent to close at $22.75.



Dampened post-crash climate leaves Fagen's IPO plans cold

By an NHCN staff editor

PITTSBURGH — A plan to take Fagen's Building Centers public has been postponed indefinitely because of the Oct. 19 stock market crash.

Fagen's ceo and president Jack Fagen said his company had planned an initial public offering in February to raise between $20 million and $25 million. The money would have been used for expansion, he said.

But the crash, which caused stock prices to plummet and left the market in turmoil, has seriously dampened the IPO climate.

"We definitely wouldn't consider it now," Fagen said.

Though Fagen said the postponement—and resulting loss of additional capital—slows the company's expansion plans, these plans are not completely dead.

Fagen, in an interview with *NHCN* on Dec. 10, said the company plans to announce "a substantial acquisition" before the end of the year. He declined to provide details until a deal is signed.

After working for Busy Beaver and Cyclops, its parent company, for 13 years, Fagen bought 14 Busy Beaver units in January 1985. There are now 18 units. Fagen said that by the end of the fiscal year in June, sales will have grown 71 percent and profits 200 percent.

And he said that if growth continues, Fagen's may be able to raise more money when it does go to market because it will be more attractive to investors.

Grossman's signs new $50 mil. credit agreement at lower rate

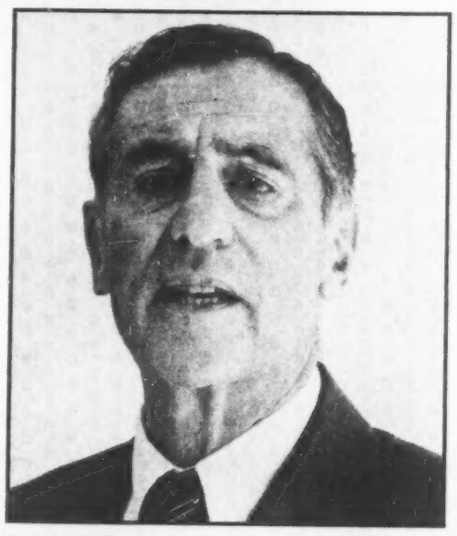
By an NHCN staff editor

BRAINTREE, Mass. — Underscoring Grossman's "improved financial condition," company officials said they have signed a new $50 million revolving credit agreement at a lower interest rate than the retailer's former line of credit.

Sydney L. Katz, executive vp and cfo of the 265-unit home improvement chain based here, said initial annual interest on the five-year agreement is 0.5 percent over the prime rate. That compares with the former line of credit on which the company paid annual interest at 2 percent over prime rate.

The credit agreement was signed Nov. 24 with The First National Bank of Boston, as agent, and The Bank of New England, N.A.; American Security Bank, N.A.; and Manufacturers Hanover Trust Co.

The agreement provides for revolving credit of $48 million and an open line of credit of $2 million. Money borrowed under the agreement will be used for "seasonal working capital requirements," a company statement said.



Mike Grossman, chairman of Grossman's. NHCN photo

U.K.'s Payless DIY buys 26-unit chain

By an NHCN staff editor

SEVENOAKS, England — Payless DIY has purchased for £27 million ($49.6 million) the 26-unit Madeley's chain, based in Leeds in northern England.

The Dec. 14 acquisition brings to 101 the number of stores in Payless' operation. It is this country's third-ranking chain behind B&Q and Texas Homecare.

Madeley's operates full-line home center units in north and west England and in south Wales.

Ted Lansdowne, Payless DIY's managing director, told *NHCN* during a telephone interview the day of the agreement that his company intended to close at least nine Madeley's units—mostly first-generation stores—and keep those open that are between 21,000 and 22,000 square feet.

> The "Madeley's" name will be kept for the time being and gradually integrated into the Payless DIY store network.

"[The acquisition] strengthens our market in those areas," said Lansdowne.

Payless intends to retain Madeley's store managers, but not its upper management.

The "Madeley's" name will be kept for the time being and, said Lansdowne, gradually integrated into the Payless DIY store network.

Change in market share

Madeley's was the last of the major independent chains left in England, where consolidation among the big three home improvement operators—all with well-financed parent firms—has changed the market share landscape. Madeley's is Payless DIY's first acquisition.

Industry to ship 46M major appliances

By an NHCN staff editor

CHICAGO — The major home appliance industry shipped over 4 million units in October and a record 40.4 million units in the first 10 months of the year, according to the Association of Home Appliance Manufacturers (AHAM).

By the end of the year, shipments are expected to surpass the previous record of 45.1 million units, set last year, and hit 46.3 million units. This will make 1987 the fourth consecutive record year for major appliances in recent history.

Year-to-date shipments are up 6.3 percent. For the first time in history, January-through-October shipments exceeded 40 million units, an average of four million units per month for 10 consecutive months.

While shipments failed to exceed the levels of the previous corresponding month in October, three products registered noteworthy shipment increases:

- 1.3 million microwave ovens, up 4.3 percent, represented the largest monthly shipment of any major appliance in history;
- 436,500 disposers, up 8 percent, made October the second-best month ever for the product;
- 83,600 room air conditioners, up 38.9 percent, reached the highest October level since 1979 for this home comfort appliance.

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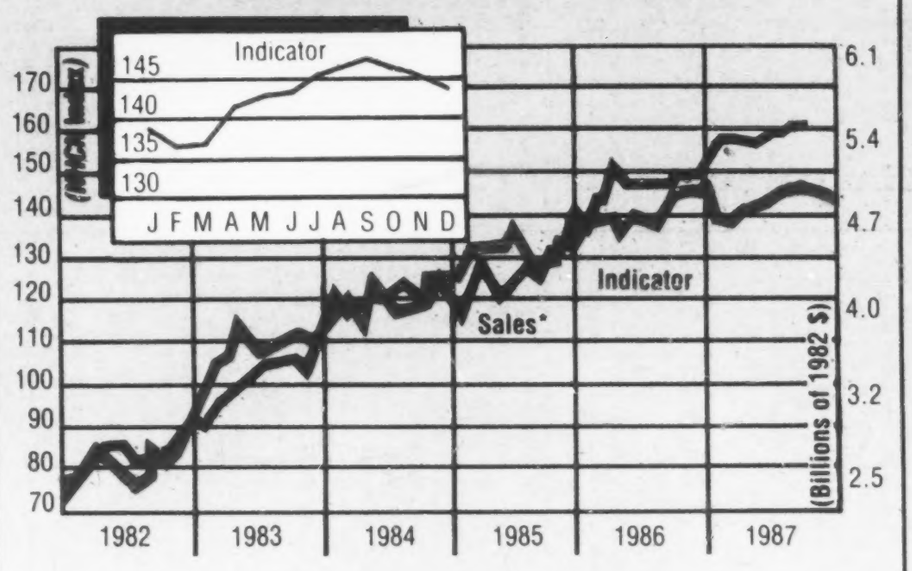

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

Pacific states' bldg. materials sales rise 12 percent in 1987

By Richard E. Mount
Special to NHCN

Building materials sales in the Pacific states rose 12 percent in 1987, stronger than the 8 percent national average. Adjusted for inflation, unit sales in the region were up 9 percent. For 1988 an additional gain of 4 percent in dollar volume is expected for the region, reaching another record high.

Existing home sales in the Pacific states, the best indicator of future building materials retail sales, headed for a 2 percent rise in 1987.

The sales gain would have been stronger except for the strength in the fourth quarter of 1986 when many owners of second and investment homes

Richard E. Mount

sold them to take advantage of more favorable capital gains rates. The surge in fourth-quarter sales led to a drop in the first quarter of 1987. Sales rebounded in the second quarter of 1987 and remained high into the third.

Regional resales will be down only 4 percent in 1988. Mortgage rates are likely to move up in the first half of 1988 as the Federal Reserve takes a less stimulative monetary stance, after the rapid growth in money supply following the October fall of the stock market.

Resales should drift lower in this rising mortgage rate environment, about 5 percent nationally, but will still be high, maintaining the de-

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1987				1988						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1986	1987	1988
***NHCN* Leading Sales Indicator** (February 1980 = 100)		141.1	143.8	146.4	143.7	142.7	142.3	143.5	144.7	130.4	143.8	143.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	69,660	68,976	71,616	71,666	72,048	72,800	74,163	75,336	65,529	70,480	73,648
	New England	3,672	3,913	3,774	3,755	3,768	3,800	3,864	3,928	3,301	3,779	3,841
	Middle Atlantic	8,600	9,279	9,145	9,116	9,150	9,231	9,389	9,548	7,899	9,035	9,331
	East North Central	11,515	12,784	12,740	12,764	12,846	12,995	13,253	13,513	11,126	12,451	13,154
	West North Central	4,626	5,195	4,963	4,952	4,979	5,030	5,125	5,220	4,393	4,934	5,089
	South Atlantic	13,964	12,947	14,409	14,434	14,503	14,647	14,914	15,183	12,980	13,938	14,814
	East South Central	4,120	3,959	4,147	4,171	4,215	4,273	4,383	4,479	3,683	4,099	4,338
	West South Central	8,109	7,470	7,742	7,747	7,788	7,884	8,047	8,233	7,523	7,767	7,989
	Mountain	3,797	3,474	3,831	3,848	3,869	3,909	3,990	4,064	3,457	3,738	3,959
	Pacific	11,257	9,956	10,864	10,879	10,930	11,029	11,199	11,368	9,550	10,739	11,133
Constant	**Millions $1982 SAAR Total United States**	64,420	63,551	65,503	64,900	64,600	64,500	64,800	65,000	60,490	64,594	64,725
	New England	3,396	3,605	3,452	3,401	3,379	3,367	3,376	3,380	3,125	3,463	3,375
	Middle Atlantic	7,953	8,549	8,365	8,255	8,204	8,179	8,204	8,216	7,476	8,281	8,201
	East North Central	10,649	11,779	11,653	11,559	11,518	11,513	11,580	11,629	10,534	11,410	11,560
	West North Central	4,278	4,786	4,539	4,485	4,464	4,457	4,478	4,492	4,158	4,522	4,472
	South Atlantic	12,914	11,929	13,179	13,071	13,004	12,977	13,031	13,065	12,286	12,773	13,019
	East South Central	3,810	3,648	3,793	3,777	3,779	3,786	3,830	3,855	3,487	3,757	3,812
	West South Central	7,499	6,882	7,081	7,016	6,983	6,985	7,031	7,085	7,120	7,120	7,021
	Mountain	3,511	3,201	3,504	3,485	3,469	3,464	3,486	3,497	3,271	3,425	3,479
	Pacific	10,410	9,173	9,937	9,852	9,800	9,772	9,785	9,783	9,034	9,843	9,785
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.27	5.67	5.27	5.24	5.23	5.22	5.21	5.20	5.17	5.36	5.21
	Middle Atlantic	12.35	13.45	12.77	12.72	12.70	12.68	12.66	12.64	12.36	12.82	12.67
	East North Central	16.53	18.53	17.79	17.81	17.83	17.85	17.87	17.89	17.41	17.66	17.86
	West North Central	6.64	7.53	6.93	6.91	6.91	6.91	6.91	6.91	6.87	7.00	6.91
	South Atlantic	20.05	18.77	20.12	20.14	20.13	20.12	20.11	20.10	20.31	19.77	20.11
	East South Central	5.91	5.74	5.79	5.82	5.85	5.87	5.91	5.93	5.76	5.82	5.89
	West South Central	11.64	10.83	10.81	10.81	10.81	10.83	10.85	10.90	11.77	11.02	10.85
	Mountain	5.45	5.04	5.35	5.37	5.37	5.37	5.38	5.38	5.41	5.30	5.38
	Pacific	16.16	14.43	15.17	15.18	15.17	15.15	15.10	15.05	14.94	15.24	15.12
Industrial Production												
Index (1977 = 100)	Brick	98.1	97.7	99.9	96.3	95.4	94.3	93.1	91.6	93.2	98.1	93.6
	Cement	117.9	101.6	102.3	102.1	101.5	101.1	100.4	99.6	103.1	103.4	100.7
	Gypsum Wallboard	134.6	134.2	133.1	132.1	131.2	130.4	129.5	127.6	133.3	133.5	129.7
	Hardware	102.9	103.7	101.8	102.9	101.9	100.5	99.4	99.7	101.9	102.8	100.1
	Lumber Products	139.8	141.3	143.8	135.6	131.5	129.4	127.3	121.1	131.8	139.7	128.4
	Paint	100.0	97.0	99.8	100.2	99.6	99.1	98.7	100.1	100.1	99.3	98.9
	Plywood	175.6	177.4	179.2	172.0	168.6	166.2	164.6	153.2	158.8	175.4	165.7

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
December 28, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Bldg. materials sales rise 12% for Pacific states in '87

(Continued from page 12)
mand for building materials in the second half of 1988.

Oregon and Washington are the fastest growing states in the region with employment up about 4 percent from a year ago. Portland, Ore., in particular, has been exceptionally strong over the last year—employment is up 5.5 percent.

Until recently, these two states experienced weak business conditions. Trade and services employment throughout the region, which is less sensitive to economic changes, continued to be strong.

The cyclically sensitive manufacturing and construction sectors are up about 5 percent during the same time. With the decline in the dollar, U.S. lumber exports are up 29 percent from last year.

California and Hawaii have been strong throughout the recovery. Currently, total employment for both states is up some 3 percent from a year ago.

Construction is the strongest sector, up 7.9 percent in California and 8.6 percent in Hawaii, and points to continued demand for building materials.

The noncyclical sectors of finance and services are up about 3.5 percent. In contrast to Oregon and Washington, manufacturing has not been strong: California is up only 0.9 percent, Hawaii down 0.9 percent. California, in particular, was struck by the slowdown in the high-technology sector but is beginning to recover now.

Alaska remains very weak. Employment is down 5.2 percent from last year with sharp declines throughout the local economy. Construction employment is down 7.4 percent. Even the government sector is off 3.2 percent. The unemployment rate remains above 9 percent.

The state is still adjusting to the drop in energy prices in early 1986 with the resulting fall-off in domestic mining activity. The weakness in mining spread to other sectors of the state's economy.

Building materials sales in the Pacific states should rise much faster than the national average in 1987 due to gains in resales and strength in employment. Alaska will be the exception as it should be down sharply.

For 1988, sales should rise about 4 percent in dollar volume, down from the 12 percent rise in 1987, as the local economy will be growing slower and resales will decline about 4 percent.

The strong pace of resales in the second and third quarters of 1987 will maintain the level in building materials sales into the first half of 1988.

Takata is named executive vp of Pay 'N Pak

By an NHCN staff editor

KENT, Wash. — Richard T. Takata has been named executive vice president of Pay 'N Pak after serving as senior vp-store merchandising since June 1986, when he joined the company from Grace Home Centers West, where he was merchandise manager.

Takata is becoming Pay 'N Pak's No. 3 official, assuming a job title that has not been used at Pay 'N Pak since the departure of executive vp Monte A. Leen in April 1986 after a 22-year career there.

Chairman and ceo David J. Heerensperger, and president and coo Jerry L. Marlow, occupy the first two positions on the corporate organization chart.

In another development, the company gave additional details on the hiring of Tim Lucia, formerly senior vp-marketing of Ernst Home & Nursery (*NHCN*, Nov. 16). A press release said Lucia, named Pay 'N Pak's vp-marketing & communications in November 1987, "will direct the corporate media programs and co-op advertising, develop customer and employee relations and coordinate public relations and community activities."

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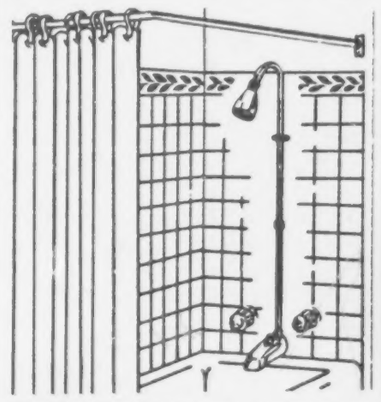

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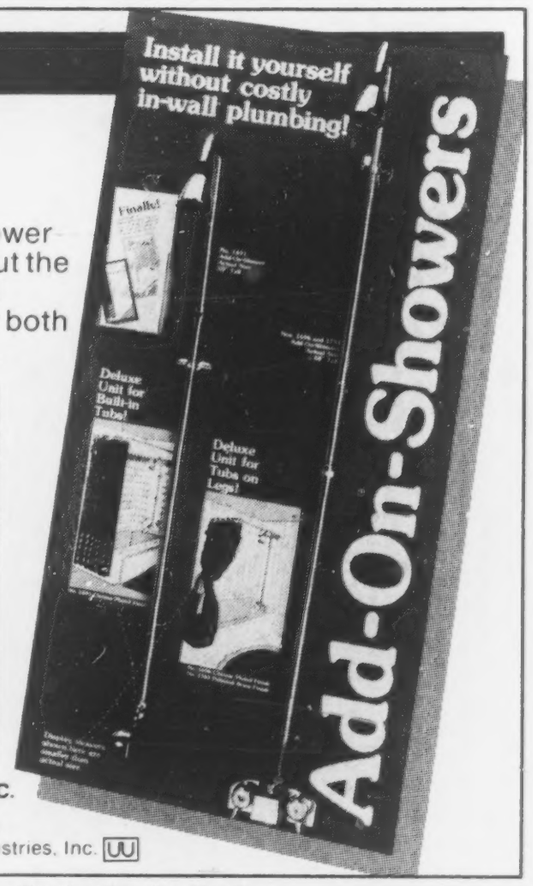

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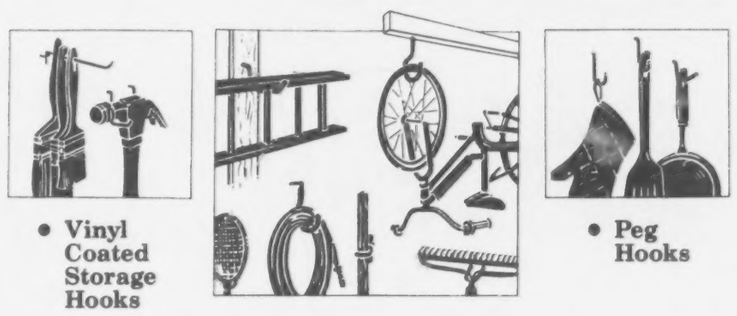

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Perspectives

OKLAHOMA AIN'T OK BUT FUTURE LOOKING BRIGHTER

By John Caulfield
NHCN staff editor

TULSA, Okla. — The license plates in this state proclaim "Oklahoma is OK." But home improvement retailers here will tell you that Oklahoma is anything but, if their businesses are any indication.

Like dealers throughout the Oil Patch in Texas, Louisiana and Colorado, Oklahoman retailers complain of price-fixated competition, flat sales, nonexistent home building and an unresponsive economy. "It's like a ghost town out there right now," said Bill Ragsdale, assistant manager for the contractor-oriented Union Building Center in Broken Arrow outside of Tulsa, of the market's housing start malaise.

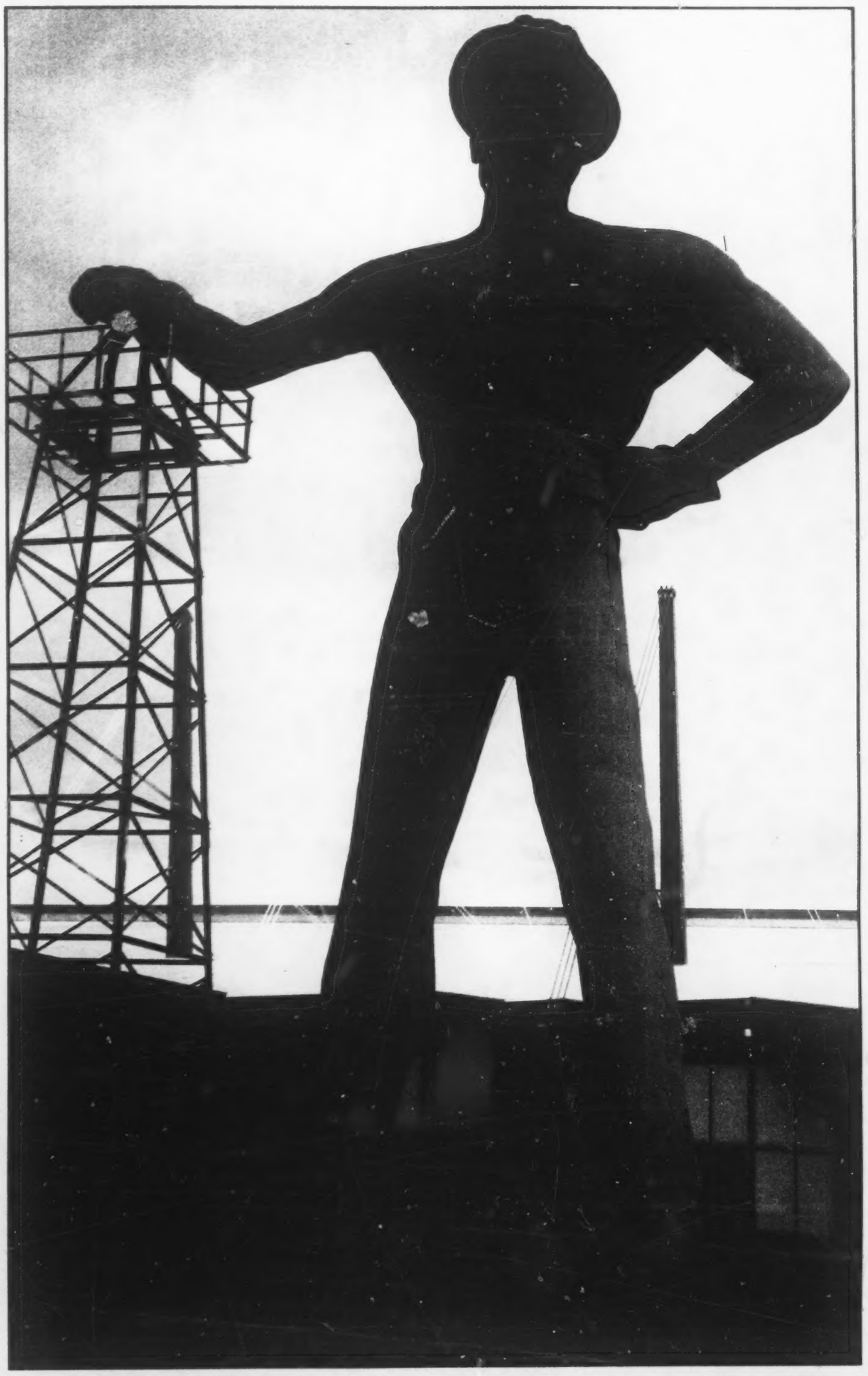
Over the past two years, lumberyards and hardware stores have been dropping like flies throughout Oklahoma, including Southeast Lumber, B&B Lumber, Tulsa Door and Trim, American Home Improvement Center, Leach's and an 11,000-square-foot Ace Best unit (all in Tulsa) as well as Caston Lumber (which is in the process of liquidating) and the nearly 100-year-old Carey Lumber outside of Oklahoma City, and the 83-year-old Dobbins-Lance in Stigler, Okla.

"There are only about seven companies left supporting themselves on home building in Tulsa, and we expect that number to drop to five soon," said Jerry Hixson, operations manager for Mill Creek Lumber, probably this city's strongest builder-based yard. Hixson said things have gotten so bad that most dealers here "don't believe any of the housing start numbers that are published; they're unreliable."

Any improvement dealers have seen in their business is tainted by the suspicion that it has come at the expense of someone else. "There's no way of knowing just how much of our improvement is from other people folding up," said the president of another Tulsa-based retail chain.

This gloom and doom prevails throughout the Oil Patch. However, dealers in this region are surprisingly optimistic about the future. Most saw retail sales of hardware and commodities expanding in their states (*see chart*). Others thought that lost home building business could be partially replaced by wooing remodelers into their stores. Unemployment is falling as some economies, through diversification into fields unrelated to energy and farming, are recovering. Optimism was particularly high among Houston dealers (*see other story*).

In Oklahoma, "things have got to get better," said Buford White, chairman of the four-unit Buford White Lumber in Shawnee. "We've bottomed out."



"The Golden Rigger," a huge statue standing in the middle of Tulsa, Oklahoma, symbolizes this city's oil economy, which lately has been sagging. The collapse in oil prices has had an indirect but adverse effect on home building, remodeling and home improvement sales.

NHCN photo

Cost reductions enacted

As oil prices have plummeted by more than 50 percent since 1981, the bitter reality of the last half decade has put a new edge on surviving dealers in Oklahoma, which was the last state to be hit by the oil crisis and will be the last state to recover, according to Tom Flint, manager of a Payless Cashways unit in Tulsa, one of three the Kansas City, Mo., chain operates here. This unit was in the process of parceling off an acre of land in mid-November.

That edge is manifested by disdain expressed towards dealers who entered the market during the halcyon days of $37-per-barrel oil, only to flop when things got bad. It is also evident in the attitude dealers take towards their customers and competition.

"We went through a boom period when anyone who could open a store opened one, even if he didn't have much 'bone structure,'" said H.L. "Hank" Hurst, the 80-year-old patriarch of Hurst Stone Builders Supply, a Tulsa masonry distributor. "Those people have been weeded out; now only the stable operators are around."

Bob Rusel, the co-owner of the 6,500-square-foot Harvard True Value, noted that many of the hardware stores that have fallen by the wayside either paid too little attention to controlling their costs or simply expanded faster than a flat economy warranted.

The prescription for keeping one's head above water in Oklahoma has varied from dealer to dealer, and has taken the form of manpower cutbacks, curtailment of new store openings and developing a niche in a market that most retailers agree is overstored.

It has also meant paying closer attention to profitability, which hasn't always been easy in a state where several large chains—Payless, Channel, Sutherland Lumber and, most recently, Builders Square—have a fairly high promotional profile.

Virtually every dealer has undergone some level of overhead restructuring in recent years. "We have cut everywhere and to the bone," said Jim Cavanaugh, manager of Hope Lumber in Tulsa, one of the few Oklahoma dealers experiencing what he called "substantial" sales gains in 1987. "We've simply improved our productivity and efficiency," including the addition of computerization four years ago.

Despite "terrible" home building activity, the 31-unit T.H. Rogers Lumber in Oklahoma City has made money over the last few years, according to executive vp Bill Payne, by cutting back store hours, closing a few unprofitable stores and virtually eliminating any debt. "We're real strong as a company, but it's been a struggle," Payne said.

Others have simply put their growth on hold. "We were looking to buy another store a year ago," said Rusel of Harvard True Value. "Thank God we didn't get the lease."

The only store T.H. Rogers will open in 1988 will be out of state, an 8,000-square-foot unit in Lebanon, Mo. White of Buford White said he has turned down a number of "tempting offers" for land sites in Oklahoma. "We're pulling down the draw strings on everything, and I just felt this was the prudent thing to do now."

"We're re-evaluating some plans we had and we've shelved the new store we were considering," added Randy Rodgers, a vice president with H.E. Leonhardt Lumber in Oklahoma City,

Texas economic turnaround meets own expectations

By an NHCN staff editor

HOUSTON — The good old days: 1982-83. People flowing into Texas like it was the second Gold Rush. Three hundred thousand housing starts in the state. Marginal unemployment. The new promised land.

Then oil crashed, and Eden didn't look so hot anymore. In April 1981, you could fetch $37.60 for a barrel of oil. By the end of 1983 it was down to $29.84. Three years later the price had sunk to $14.51, and with it the boom times politicians, businessmen and consumers thought would last forever.

After nearly four years of gnashing their teeth, Texans actually have some positive things to say about their state's prospects. This is particularly true of home improvement officials, who report that their sales over the past three to four months have improved inexplicably, possibly because of a change in consumer attitudes and confidence.

"The minute the press started reporting a turnaround in the spring, our business got better," said the executive vice president for one Houston independent building materials dealer. Roy Bierschwale, chairman of the five-unit Bison Building Materials here, who has seen Houston go through "three roller coaster rides" over the past 25

(Continued on page 24)

which operates three stores under the name "Big L." Contacted in the first week of December, Rodgers was most concerned by a newspaper article reporting a 23 percent drop in housing permits through October to 1,069 units in his market.

Drumming up retail sales

With home building in the dumper, companies like Leonhardt's—which is currently 60 percent contractor in sales—are looking to get more business from the retail side of their business.

But even with Lowe's converting its Tulsa retail store into a contractor yard (*see other story*), competition here is fierce. Sutherland's employs a warehouse-style format in its stores here and has a very strong presentation in kitchens, baths and appliances. Channel's Handy Dan stores here are reportedly being remodeled. And the market was turned on its head this year when Builders Square dropped two warehouse units into Tulsa and, by the estimation of nearly everyone here, extracted a big chink of business.

"Let's face it, Tulsa is real competitive and the pie has gotten smaller," said Flint, the Payless Cashways store manager.

Consequently, virtually every dealer here has approached his retail and remodeling customers from a different angle, or has looked to get business elsewhere. In Payless' case, the development of a commercial accounts program and the emphasis on promoting project-oriented products have helped take up the slack of a marketwide falloff in contractor sales.

Mill Creek, which Hixson said is getting "90 percent of all the jobs for homes worth over $250,000," features its strengths in millwork in its 15,000-square-foot, seven-acre location, and is the only independent here that promotes on television. However, Hixson said Mill Creek pushes quality, not price. "We'll concede that part of the business; we won't carry discount sticks," he said.

But with Builders Square and the other large chains beating the price drum constantly, some concessions have had to be made. "People come to our store for price, quality and service, in that order," said Ragsdale of Union Building Center, which gets only 5 percent of its sales from consumers. "Service used to be No. 1."

Cavanaugh of Hope Lumber in Tulsa conceded that the market is "dollars and cents right now, not personality." However, he thought offering the best price in town is shortsighted.

"Oklahoma is a good ol' boy state, but I've never believed in the philosophy that you give a better deal to someone just because he's your friend. We can't all go broke crying on each other's shoulder."

Better things to come?

As the Oklahoma market reshuffles itself, it appears that retailers here are gearing up for better things. In Tulsa, a number of dealers pointed to the planned opening of a regional office by State Farm insurance, the prospective expansion of American Airlines and the rumor that Fram is looking to build a manufacturing and distribution facility as signs that the market is regrouping and diversifying.

Hurst of Hurst Stone Builders Supply said the city's Chamber of Commerce "is fighting like hell to get other businesses here," and spoke with optimism about a recently completed trip to Japan by Oklahoma's Governor Henry Bellmon and a newly signed agreement between Tulsa and China worth $146 million.

On a less spectacular but no less important level, Buford White Lumber is one of a number of chains that will spend the ensuing months working on employee training to be ready to compete more effectively when things turn around.

Like other Oklahoma dealers who are now sanguine enough about their businesses to look forward to the future, White felt dealers "have to get out of our minds we're in a depressed economy."

Retail Hardware and Building Materials Sales

($000)

	1987	1986	% chg.
Denver	$ 749,143	$ 674,983	10.98
Houston	1,490,805	1,415,795	5.3
New Orleans	453,400	425,131	6.6
Oklahoma City	665,983	633,012	5.2
Tulsa	319,078	304,185	4.9

Source: *Sales & Marketing Management: 1987 Survey of Buying Power* *NHCN* chart

Energy Exploration Activity:

Wells Completed in The Oil Patch

Total	Texas	Oklahoma	Louisiana	Colorado
1987 (proj.)	13,868	4,900	1,935	1,200
1986	13,104	5,924	2,585	1,022
1984	27,696	10,053	6,891	1,806
1982	25,439	12,030	5,117	1,982

Sources: American Petroleum Institute; Oil and Gas Journal (1987 totals for Texas, La., and Colo.); Oklahoma Corporation Commission (Oklahoma estimates) *NHCN* chart

Housing Starts in the Oil Patch

(metropolitan areas)

	1986	1987 (est.)	% chg.
Colorado	32,300	22,200	−31.3
Denver*	19,155	9,000	−53.0
Louisiana	11,700	8,700	−25.6
New Orleans	3,772	2,825	−23.8
Oklahoma	9,600	8,700	−31.3
Tulsa	2,391	1,998	−16.4
Oklahoma City**	2,571	2,100	−22.4
Texas	95,700	59,000	−38.3
Houston	9,400	9,250	− 2.0

*Colorado Home Builders Association (Figure for Denver in 1987 represents annualized estimate through September)
**Central Oklahoma Home Builders Assn.
Source: National Association of Home Builders *NHCN* chart

Retail sales of hardware and commodities continue to expand in the Oil Patch. But while the region still accounts for nearly three-fifths of all the energy exploration and development in the country, its drilling lags behind peak levels in 1981-83. And new home construction remains dead because of overbuilding in previous years.

Denver's bust helps spur its boom, too

By Brad Altman
NHCN staff editor

DENVER— CoastAmerica's chairman Richard Bard said the franchised wholesaler is aggressively expanding its hardware stores in this market in part because of its expectations that the region's oil- and gas-related economic woes are easing.

When Denver's economy was stronger in the late 1970s and early 1980s, strip mall developers were charging $12 to $15 a square foot for tenants. That effectively locked hardware stores out because "hardware stores don't make money at $12 rents," Bard asserted.

During that boom period, Denver "was growing like crazy" but high rents kept the city "devoid of hardware stores," Bard explained.

The growth suddenly came to a halt in 1986 and now excellent retail locations can be found at $6 a square foot and less, Bard said. He hopes to open as many as 25 to 30 hardware stores—company and franchisee-owned—in the market.

CoastAmerica's development efforts in Denver underscore the fact that the state's economy is gaining strength, said Lucy Creighton, an economist at the First Interstate Bank of Denver. She said the state may gain as many as 17,000 additional jobs in 1988. In 1987, the state is expected to gain only 4,000 jobs compared to the 17,000 it lost in 1986.

She said the state's economic trou-

(Continued on page 26)

Lowe's faces two different problems in Okla. market

By an NHCN staff editor

OKLAHOMA CITY — On Nov. 5, Lowe's held a grand reopening for a 26,400-square-foot retail store offering 14,000 to 15,000 stockkeeping units that only months before was a 2,500-square-foot yard which has been retrofitted and expanded at a cost of $1.5 million.

"I think this store shows our confidence that Oklahoma City is coming back," said store manager Lowell Dillon.

Two hours' drive to the north in Tulsa, Okla., however, the North Carolina-based chain on Jan. 31 will board up an 11,000-square-foot store that has been converted into a strictly contractor unit selling commodities out of a 17-acre yard.

The store, whose annual sales plummeted to around $7 million in 1986 from $20 million three years earlier, had stopped advertising since June. "It's pretty flat here; I don't know how anyone could say things are turning around," said store manager William Sawyer.

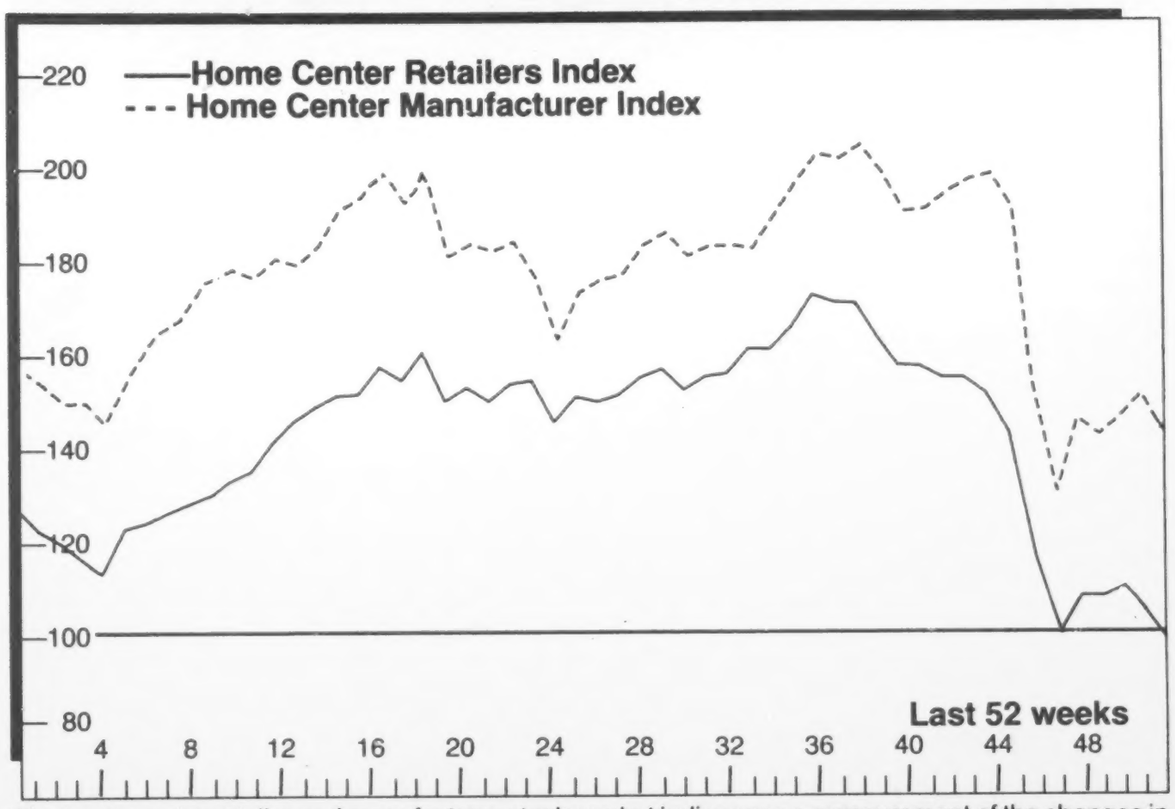
This Tale of Two Cities illustrates the unpredictability of operating stores in the Oil Patch. In a state where its two main industries—energy and farming—continue to droop, and home building, for all intents and purposes, is at a standstill, it's been hard for dealers to get a fix on exactly what the future bodes.

In Lowe's case, it was simply a decision based on store positioning: The Tulsa unit is located in what even Sawyer concedes is a miserable spot for a retail store, far off the main drags in town. The Oklahoma City site, on the other hand, is on a

(Continued on page 26)

Lowe's spent $1.5 million to expand its 2,500-square-foot unit in Oklahoma City into a 26,400-square-foot store featuring the latest in the chain's store design. NHCN photo

FINANCIAL NEWS

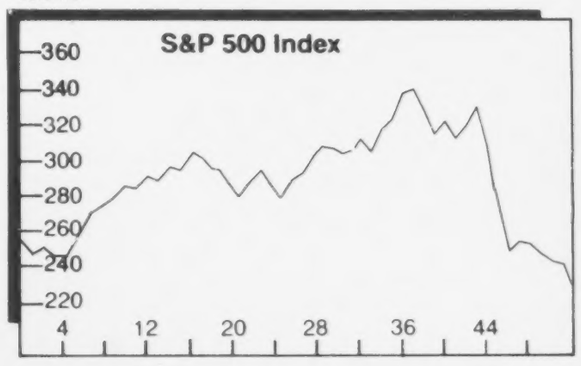


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on December 11, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
12-11-87		(100)	%	%
Newell Co	N	3,693	250.0	- 4.5
Nortek Inc	N	10,664	185.7	- 22.6
Natl Lumber	M	671	147.9	- 18.8
Gen Bldg Prods	M	931	142.7	- 22.7
Lowe's Cos	N	14,884	141.0	- 7.7
Pope & Talbot	N	6,139	126.1	- 6.7
Home Depot	N	23,792	112.3	.0
Insilco Corp	N	5,523	108.7	- 11.5
Natl Hardgoods	M	351	107.2	- 8.3
Boise Cascade	N	17,723	104.9	- 1.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 12-11	2-Week Price Change	Total 2-Week Volume
12-11-87		$	%	(100)
Armstrng Wrld	N	28.00	7.2	15,468
USG Corp	N	31.63	6.8	26,283
Macmillan Bloedel	M	17.00	6.3	18,345
Moore Handley	M	4.50	5.9	164
Cooper Indus	N	52.13	5.3	12,532
Potlatch Cp	N	26.50	5.0	3,968
Sherwin-Wms	N	24.00	4.3	9,302
Emhart Corp	N	19.88	3.9	7,444
Lewis Palmer	M	6.75	3.8	1,073
Union Camp	N	35.75	3.6	18,525
Losers		$	%	(100)
Gen Bldg Prods	M	4.25	- 22.7	931
Nortek Inc	N	6.00	- 22.6	10,664
Manville Cp	N	2.25	- 21.7	5,770
Strober Organiz	M	6.50	- 18.8	687
Natl Lumber	M	3.25	- 18.8	671
Waxman Ind	M	7.50	- 16.7	1,920
Zayre Corp	N	14.25	- 15.6	33,230
Stanline Inc	M	8.75	- 12.5	110
Grossman's Inc	M	4.50	- 12.2	7,787
Insilco Corp	N	14.38	- 11.5	5,523

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: 2-Weeks Ended 12-11-87	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods	M	4.25	- 1.25	- 22.7	5.50	4.00	12.50	4.00	931	2.33	.96	142.7	6.0	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc	M	4.50	- .63	- 12.2	5.00	4.13	11.25	4.13	7,787	2.98	1.73	72.3	14.1	.00	.0	.....	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A	M	15.25	- 1.00	- 6.2	16.25	14.25	26.50	14.25	6,622	6.06	3.61	67.9	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	16.00	- 1.50	- 8.6	17.00	15.25	26.75	15.50	358	.22	.37	- 40.5	13.7	.06	.4	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	39.1
Home Depot	N	17.88	.00	.0	18.25	15.50	28.09	11.94	23,792	4.84	2.28	112.3	18.1	.08	.4	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc	N	30.25	- 1.25	- 4.0	31.50	29.50	54.00	29.50	8,786	2.21	1.27	74.0	8.8	1.60	5.3	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp	N	27.25	- .13	- .5	28.50	24.38	48.38	21.63	71,004	3.52	1.99	76.9	8.2	1.16	4.3	.....	9 mos.	10-87	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos	N	16.38	- 1.38	- 7.7	17.50	15.25	32.75	15.25	14,884	3.76	1.56	141.0	10.4	.44	2.7	.....	9 mos.	10-87	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Natl Hardgoods	M	4.13	- .38	- 8.3	4.25	3.75	10.00	3.75	351	2.59	1.25	107.2	6.3	.00	.0	NEW	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber	M	3.25	- .75	- 18.8	4.00	3.25	7.50	3.25	671	1.19	.48	147.9	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak	N	13.63	- 1.75	- 11.4	15.25	13.38	21.50	10.88	724	.72	.69	4.3	13.6	.00	.0	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash	N	10.63	- .88	- 7.6	11.75	9.63	26.88	9.63	11,100	3.20	1.66	92.8	8.9	.16	1.5	.....	9 mos.	08-87	488.9	16.7	11.1	- 17.2	.32	- 17.9	1310.8	16.8	30.8	- 1.9	.89	- 2.2
Scotty's Inc	N	12.50	- .13	- 1.0	14.13	12.13	15.88	10.00	3,195	2.19	1.09	100.9	16.4	.52	4.2	.....	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck	N	31.63	- 1.75	- 5.2	33.38	29.75	59.50	26.00	84,392	2.23	1.32	68.9	7.3	2.00	6.3	NEW	9 mos.	09-87	12193.2	9.1	409.0	24.7	1.08	22.7	34391.2	9.8	1087.3	34.5	2.86	31.8
Std Brd Pnt	N	19.63	- .88	- 4.3	20.50	18.50	31.88	16.13	3,832	3.40	4.20	- 19.0	14.2	.00	.0	NEW	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz	M	6.50	- 1.50	- 18.8	8.25	6.25	15.25	6.50	687	1.13	.82	37.8	6.8	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos	N	8.13	- .63	- 7.1	8.50	7.25	25.00	7.25	27,757	5.80	3.14	84.7	3.2	.00	.0	NEW	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber	M	9.00	- 1.13	- 11.1	9.63	8.88	18.75	7.75	795	1.36	1.60	- 15.0	6.6	.24	2.7	.....	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp	N	14.25	- 2.63	- 15.6	16.25	13.50	37.00	13.50	33,230	5.86	4.84	21.1	5.2	.40	2.8	.....	9 mos.	10-87	1601.7	21.7	21.2	- 7.4	.37	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																														
Hughes Supply	N	22.75	.75	3.4	22.88	21.75	30.25	19.75	537	1.61	1.50	7.3	9.1	.40	1.8	NEW	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley	M	4.50	.25	5.9	5.50	4.00	9.75	3.88	164	.66	.96	- 31.3	17.3	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer	M	6.75	.25	3.8	6.88	6.25	9.88	5.75	1,073	2.67	1.92	39.1	17.8	.28	4.1	NEW	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc	M	8.75	- 1.25	- 12.5	10.50	8.75	13.31	6.19	110	.62	1.37	- 54.7	8.3	.31b	3.5	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.28	16.7	47.0	7.3	1.4	27.3	.76	31.0
Manufacturers																														
Am Consum Prods	M	10.25	- .50	- 4.7	10.25	9.75	14.25	7.88	145	.70	1.33	- 47.4	16.8	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard	N	34.63	- .13	- .4	35.50	30.50	55.00	30.50	9,412	2.94	1.50	96.0	9.0	1.80	5.2	.....	9 mos.	09-87	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark	M	7.00	- .50	- 6.7	7.13	6.50	17.13	6.50	967	1.40	.79	77.2	7.6	.00	.0	NEW	6 mos.	09-87	34.3	7.5	2.4	4.3	.35	6.1	66.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld	N	28.00	1.88	7.2	29.00	24.00	47.38	22.50	15,468	3.26	2.01	62.2	9.1	.90	3.2	.....	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	28.8
Black & Decker	N	14.88	- 1.38	- 8.5	16.00	14.38	26.50	13.00	15,392	2.64	1.85	42.7	15.7	.40	2.7	.....	fiscal	09-87	502.1	14.7	15.0	581.8	.26	766.7	1934.8	8.0	55.6	102.2	.95	93.9
Boise Cascade	N	63.25	- 1.00	- 1.6	64.75	57.38	86.88	48.00	17,723	6.29	3.07	104.9	12.1	2.00	3.2	NEW	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed	N	24.75	- .63	- 2.5	26.00	24.13	45.75	24.13	1,378	.73	.75	- 2.7	7.9	1.00	4.0	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl	N	31.13	- 1.13	- 3.5	32.88	27.63	44.63	21.75	42,520	4.47	2.74	63.1	8.1	.80	2.6	.....	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl	M	6.25	- .13	- 2.0	6.25	5.50	18.25	5.00	368	.72	1.18	- 39.0	11.4	.00	.0	.....	fiscal	09-87	28.2	97.2	1.2	140.0	.25	92.3	82.0	43.9	2.7	42.1	.55	7.8
Cooper Indus	N	52.13	2.63	5.3	54.00	46.75	74.50	39.00	12,532	2.51	1.67	50.3	15.7	1.68	3.2	.....	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc	N	21.25	- 1.25	- 5.6	22.50	21.13	43.75	21.13	1,204	3.05	1.73	76.3	13.6	1.40	6.6	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	19.88	.75	3.9	19.88	17.25	26.63	15.50	7,444	1.19	.97	22.7	12.9	.80	4.0	.....	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1789.9	18.5	80.1	NE	1.28	NE
Georgia Pacific	N	31.88	- .75	- 2.3	33.25	29.25	52.75	22.75	34,319	3.15	2.19	43.8	8.2	1.20	3.8	.....	9 mos.	09-87	2424.0	27.0	118.0	21.5	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp	N	14.38	- 1.88	- 11.5	16.00	14.00	28.13	14.00	5,523	2.65	1.27	108.7	8.4	1.00	7.0	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific	N	27.13	- .75	- 2.7	27.75	24.50	39.75	21.50	8,024	2.09	1.71	22.2	9.2	.80b	2.9	.....	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel	M	17.00	1.00	6.3	17.00	15.13	23.50	9.81	18,345	1.80	1.02	76.5	NA	1.10	NA	.....	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp	N	2.25	- .63	- 21.7	2.88	2.25	5.38	1.63	5,770	2.40	1.87	28.3	.4	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp	N	21.13	- 1.00	- 4.5	21.75	19.00	40.88	18.75	29,105	2.20	1.54	42.9	11.5	.40	1.9	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds	M	6.25	- .38	- 5.7	6.75	6.25	14.38	6.25	178	.71	.55	29.1	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co	N	23.75	- 1.13	- 4.5	25.00	21.13	43.00	21.13	3,693	3.22	.92	250.0	9.8	.84	3.5	.....	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Nortek Inc	N	6.00	- 1.75	- 22.6	8.00	5.50	17.38	5.00	10,664	6.77	2.37	185.7	10.0	.10	1.7	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn	N	13.50	- .38	- 2.7	13.88	12.00	32.38	9.00	24,808	6.62	3.85	71.9	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	9.38	- .88	- 8.5	10.25	9.13	18.13	9.00	3,341	2.99	1.48	102.0	8.4	.12	1.3	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot	N	13.88	- 1.00	- 6.7	14.25	12.63	27.25	9.75	6,139	5.11	2.26	126.1	5.7	.44	3.2	.....	9 mos.	09-87	113.5	45.3	7.0	62.8	.59	63.9	320.1	40.2	20.9	182.4	1.74	180.6
Potlatch Cp	N	26.50	1.25	5.0	26.75	23.00	41.88	21.00	3,968	1.48	.91	62.6	9.0	.92	3.5	.....	9 mos.	09-87	246.9	- 1.2	22.6	35.3	.80	35.6	739.4	.9	62.7	25.9	2.23	26.0
PPG Inds	N	33.25	- .38	- 1.1	34.50	30.50	53.50	27.50	27,739	2.32	1.50	54.7	11.3	1.20	3.6	.....	9 mos.	09-87	1260.5	10.5	91.3	10.7	.76	10.1	3855.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms	N	24.00	1.00	4.3	24.38	20.13	38.50	20.13	9,302	2.09	1.38	51.4	9.6	.56	2.3	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works	N	23.63	- .13	- .5	24.50	22.00	36.63	21.25	4,049	.93	.68	36.8	12.2	.88	3.7	.....	9 mos.	09-87	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	60.4	9.2	1.39	5.3
Thos Inds	N	14.75	.47	3.3	15.00	13.88	21.53	13.81	987	.94	.73	28.8	9.9	.65b	4.4	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.36	71.4	241.4	9.4	12.3	28.1	1.18	28.3
Triangle Ind	N	24.00	- 2.25	- 8.6	26.00	23.50	44.00	22.50	5,456	2.40	1.41	70.2	10.8	.12	.5	NEW	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp	N	35.75	1.25	3.6	36.38	31.25	48.19	26.00	18,525	2.51	1.89	32.8	13.8	1.16	3.2	.....	9 mos.	09-87	583.2	13.0	56.5	54.8	.77	54.0	1697.8	12.4	148.5	70.5	2.02	69.7
USG Corp	N	31.63	2.00	6.8	32.75	24.38	55.88	23.50	26,283	5.14	4.23	21.5	6.9	1.12	3.5	.....	9 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.63	39.1
Walter, Jim	N	59.75	.63	1.1	59.88	59.00	62.38	35.81	730	.18	.25	- 28.0	14.6	1.20	2.0	NEW	fiscal	08-87	709.4	7.1	53.5	6.8	1.87	46.1	2429.2	2.6	166.1	19.8	4.09	10.2
Waxman Ind	M	7.50	- 1.50	- 16.7	8.75	7.25	13.25	7.25	1,920	3.03	1.85	63.8	10.9	.10	1.3	.....	3 mos.	09-87	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser	N	37.50	- .25	- .7	38.00	33.25	60.00	19.00	34,897	2.56	1.75	46.3	12.6	1.50	4.0	.....	9 mos.	09-87	1819.8	30.2	126.1	102.7	.89	102.3	5206.3	23.9	317.2	75.6	2.27	87.6

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Profitable tool rental market catches dealers' attention

(Continued from page 1)
independent Sandwich Lumber, Sandwich, Mass., is one of several dealers who recently set up a separate rental center stocking medium-to-heavy equipment including hand tools, power tools and lawn and garden equipment.

"I needed to bring in new customers and give my existing customers an extended service," said Dunham, who opened Sandwich Tool Rental last January.

In just nine months his initial $70,000 investment has paid for itself more than twice over, according to Dunham. He has already auctioned off the original tools, replaced all equipment and increased his inventory to $125,000.

The business, now employing five people, has also outgrown its original space, so the company will erect a new 5,000-square-foot center this spring.

Serving the homeowner less experienced in using rented equipment requires offering more advice and maintenance, since DIYers commonly misuse tools.

Some dealers, like Grand Rental Station in Virginia Beach, Va., find that the abuse of chain saws is such that they make little profit and merely keep them in stock as a service.

"People really don't know what tools are out there or how to use them and might rent the wrong tool," said Paul Hladick, manager of Sandwich Tool, which gets 30 percent of rental sales from consumers. "We have to educate them for rental."

To tap this homeowner market, American Hardware Supply, the Butler, Pa., co-op, designed the Grand Rental Station program as part of its store of the future offering.

The program, launched in 1982, now has 60 dealer-members who, for a license fee of $500, can take advantage of its co-operative buying and complete marketing package.

Its first Grand Rental Station prototype was a 6,400-square-foot store of the future opened in Virginia Beach, Va., on July 19. It resembles a turn-of-the-century railway station with tools, hardware, power equipment and party goods displayed in separate departments.

"Historically, as rental centers grew owners just added more and did not put much emphasis on display," said Bruce Doyle, the store's manager. "We've achieved a breakthrough here [because] people come in to look and see what we have."

American Hardware is now interested in expanding the inventory of resale items such as sheets of sandpaper and chain saw oil. At Sandwich, these items make up 50 percent of total revenues.

Sandwich's first priority in 1988 will be to add larger equipment—such as a small bulldozer and possibly trailers and trucks as part of a Ryder Truck franchise program—in response to its contractors' demands.

Mid-Cape Home Centers in Orleans, Mass., has expanded its rental center to add lawn mowers and string trimmers. But floor sanders and edgers are still the most popular rental item.

But for others, like Hughes Rental Center, Charleston, S.C., adding the heavier items has brought problems. The company recently felt increased competition from the larger dealers like Hertz who specialize in the heavier equipment, and brought prices down.

"Having three bob cats at $16,000 apiece sitting idle in the yard takes a bit out of the profits," said John Burn, a vp at Hughes Rental Center.

Others said that although rental centers complement hardware and lumber sales, they need supervision.

Paul Giunta, president of Shore Hardware, Somers Point, N.J., was forced to sell his rental center in August after 3½ years.

"The problem was absentee management," said Giunta. "Even though it was in another building 50 feet away, I couldn't devote the time."

P.F. O'Connor opens largest U.S. warehouse

(Continued from page 3)
The warehouse store hopes to draw customers from the wealthy North Shore communities of Danvers and Peabody. But traffic congestion to the south and heavy competition in the Saugus market will make penetration tough.

The immediate residential area of Revere, however, is becoming more affluent, as condo developers renovate the waterfront sites.

The cavernous store has a number of strengths in kitchen and bath and millwork. But it is currently hampered by poor lighting which, together with the original black warehouse racking, detracts from the original displays. This appears a temporary problem as the company's full-time electrician is currently installing under-rack lighting and is adding display spotlights.

The main power aisle, as wide as a two-lane highway, has decorating products on the right and electricals on the left to draw people into the store. The lighting section has been so successful here that the category will be extended into a full lighting cloud, with security lighting being added to the mix, said merchandise manager Tom Hardy.

Park benches can also be found in these aisles. The benches were added in response to commments from Isabella O'Connor, the president's mother, after she had a long walk through the store.

O'Connor intends to make full use of the 47-acre site, on which sits another 300,000-square-foot warehouse that will be used for an Andersen window assembly and a prehung door plant. The company is also looking for a tenant for the remaining space. Outside there is a drive-through yard adjacent to the parking lot.

P.F. O'Connor will begin remodeling five of its other stores in 1988.

Management group to buy Wickes Lumber through LBO

(Continued from page 1)
Hagen, the buyout team is composed of vp-marketing William Hensler; Mervyn Benjet, vp-finance; Rick Morphet, vp-human resources; Richard Buck, eastern regional vp; Frank Chambers, north central regional vp; and Lee Pawluk, southern regional vp.

"We're worrying about the next month and getting this closed," said Hagen. "We have a great relationship with [Wickes chairman] Sandy Sigoloff and his people."

In a statement to analysts Oct. 22, Sigoloff said Wickes sought to sell Wickes Lumber and two other companies—an apparel and a hosiery concern—for more than their estimated $600 million book value. Wickes would use the proceeds to buy back an undetermined amount of publicly traded Wickes common stock, Sigoloff said. Wickes' common was trading at 9⅝ on Dec. 15.

The three entities Wickes wants to sell had total sales of $1.8 billion, the lion's share of which came from Wickes Lumber. *NHCN* estimates Wickes Lumber will post 1987 sales of $1.1 billion for the year ending Jan. 31, 1988. Fiscal year 1986 sales were $1.02 billion, according to Julsen.

The proposed sale would leave Wickes Cos. with 120 Builders Emporiums and Orchard Supply units, as well as automotive, industrial, wall covering and decorative products manufacturing facilities.

Besides Hagen's group, Wickes Lumber was evaluated by a number of possible buyers, including foreign concerns who, according to a source familiar with these negotiations, didn't understand the cyclical nature of Wickes' business—50 to 60 percent of which comes from contractors—and backed off.

A number of home center chains—Grossman's, Lowe's, Erb Lumber—reportedly sought pieces of Wickes Lumber, but the parent was intent on selling the chain whole.

"We're very pleased the management group at Wickes Lumber was able [to strike this deal]," said Paul Hylbert, president of Sequoia Supply, Irvine, Calif. Hylbert and Sequoia's senior management bought out the lumber and building materials distribution company from Wickes Cos. in March.

Florida legislature gives the axe to service tax

(Continued from page 1)
Florida an added $1.3 billion needed to maintain its infrastructure in light of the state's rapid growth.

It is also significant that Florida does not impose a personal income tax on its residents and has historically looked outside its residential base for revenues.

Those who have kept a watch over the progress of the tax are relieved now that the repeal is reality. There is, however, concern that other states might attempt to adopt similar measures.

"[Repealing the tax] was exactly the right thing for Florida to do for lots of good reasons," said Jack Kraft, vice chairman of Leo Burnett Advertising, Chicago, whose clients include Black & Decker. "The situation in Florida will cause states to seriously consider this approach."

Reaction against the bill had been instantaneous. By May many major companies announced plans to cut back or eliminate advertising in the state, and organizations began moving meetings and conventions out of Florida.

In June, three national advertisers, including Rust-Oleum Corp., based in Vernon Hills, Ill., ordered networks to black out their national television campaigns in Florida. The tax went into effect July 1. Two weeks later, the Florida Supreme Court ruled it constitutional. The tax was the subject of three special legislative sessions. Revisions of the tax were submitted by both the Florida Senate and House of Representatives.

In October the legislature passed a bill that would have allowed voters to decide the fate of a revised measure through referendum on the presidential primary ballot. This was vetoed by Martinez, who wanted a complete veto.

Meanwhile, a number of manufacturers, including Owens-Corning Fiberglas, filed a lawsuit challenging the constitutionality of the tax.

Joe Doherty, vice chairman of the Association of National Advertisers (ANA) and vp-marketing communications for Owens-Corning, was elated about the repeal, and commented that "Florida thought this was a good way of generating revenue without having to face the voters."

Of the 23 states he said have considered a service tax, most have dropped the idea. Doherty doubts many states would impose a tax on advertising. "The problem with Florida is that it tried to tax services out of state," he said.

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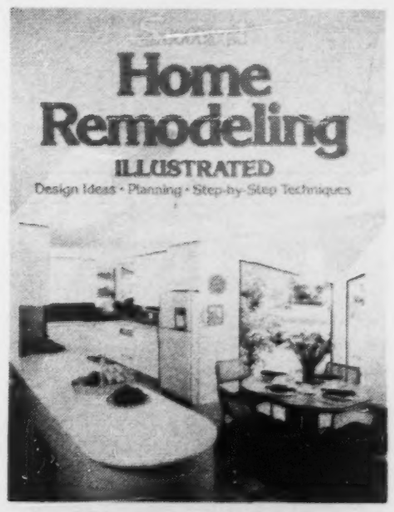

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1987 Net Margins
(First 9 Months)

	1987	1986
Strober Organization	5.7	5.5
Hechinger	5.3	4.4
Wolohan Lumber	3.7	2.5
The Home Depot	3.5	2.2
General Building Pr.	3.5	3.2
Pay 'N Pak[1]	3.4	1.6
Lowe's	2.7	2.5
Payless Cashways	2.4	2.8
Scotty's[2]	1.9	1.3
Grossman's[3]	1.4	0.6

[1] Six months ended August 31.
[2] Three months ended September 26.
[3] Before extraordinary items.
Source: Company reports. *NHCN* chart

Home centers achieved healthier net margins in the first three quarters of 1987 than for the same period last year.

Home centers post healthy 1987 numbers

By Phillip M. Perry

NATIONAL REPORT — With the new year now upon them, home centers can look back on what has been, for the most part, a healthy and satisfying 1987.

The stock market crash of October did not spare the industry. Yet for the year as a whole, most retailers large and small could boast that:

- Sales kept pace with or increased over those of 1986;
- Net margins improved;
- A lower corporate tax rate mandated by The 1986 Tax Reform Act had a major positive impact on earnings;
- Serious cuts in overhead expenses helped bolster bottom lines;
- There were few perceivable changes in shopping patterns as a result of the October stock market crash.

(Continued on page 71)

Lowe's closes 16 stores in oil patch due to economy

By Ariane Sains

NORTH WILKESBORO, N.C. — Citing continued depressed conditions in the oil patch, Lowe's has closed 16 of its stores in the region, putting 400 people out of work.

"We made a valiant effort to hold on in the oil patch," said Cliff Oxford, Lowe's vp-corporate relations, "but we just don't anticipate a turnaround. We closed the stores that we did not think had a potential for profitability."

Lowe's expanded its reach into the oil patch by buying 23 stores from Boise Cascade in 1985. Of the stores being closed, 12 were part of the Boise acquisition. The closings

(Continued on page 72)

In November, Lowe's was clearing out the merchandise from its Tulsa, Okla., store that was being converted into a strictly contractor yard. This is one of 16 units Lowe's was shutting down in the region. NHCN photo

Farm belt firms see turnaround, but insurance hikes nix any gains

By Gary S. Ruderman

GREENFIELD, Iowa — It's a tale of two cities. Actually, one town and one city.

In the Midwest, 1987 was a year of retrenchment for chains, a year of growth for some independents and another year of barely hanging on for the rural yards and home centers.

Late in December, 18 rural home center and lumberyard dealers from southwest Iowa had their annual Christmas dinner in this town 50 miles west of Des Moines, and on that cold Saturday night they had something to celebrate.

After years of struggling because their farmer-customers were hurting, the independent home center dealers in this agricultural market had an up year.

Any joyousness, though, was tempered a week earlier when dealers received their new health and accident insurance premiums. The increased premiums wiped out any sales increases for 1987.

(Continued on page 20)

Kuwait becomes partner in Western Lumber

George McCown, a partner in McCown DeLeeuw & Co., said his firm sold off Western Lumber to facilitate its expansion.

By Brad Altman

NATIONAL CITY, Calif. — A company in which the government of Kuwait owns a majority stake has taken possession of Western Lumber Co.'s 11 retail stores and wholesale complex here. Georgetown Industries of Charlotte, N.C., signed the contract agreeing to purchase Western for $40 million on Dec. 16.

The stores and a 35-acre distribution, milling and truss facility, which account for the bulk of Western's $125 million annual sales volume, will continue to use the Western Lumber name and format.

The 600 employees will be led by the existing management team headed by president Allen Quimby.

For Georgetown Industries, the acquisition is a further step in its diversification and growth strategy, said Gerald Anderson, Georgetown's vp-finance.

"Our strategy has been to look for acquisitions which would diversify our company and would have two main characteristics: a good performance record and good management," said Anderson. "Those characteristics we saw in Western Lumber."

The 13-year-old Georgetown Industries' other companies are Georgetown Steel Corp., which runs a steel wire rod mill in Georgetown, S.C., and Waccamaw Corp. of Myrtle Beach, S.C., a chain of 12 pottery stores specializing in housewares and home decor items which Georgetown acquired in July 1987. Stores are located in South Carolina, North Carolina, Georgia, Virginia and Illinois.

The ministry of finance of Kuwait—an oil-rich Arab nation about the size of New Jersey situated between Iraq and Saudi Arabia—owns 93 percent of Georgetown Indus-

(Continued on page 71)

Seasonal fare gives dealers green Xmas

By Suzanne Floyd

NATIONAL REPORT — Home center retailers usually can't predict a white Christmas. But those carrying seasonal fare found the holidays a little greener from added sales.

In a year when overall retail sales have been erratic and holiday sales for major department stores were less than spectacular (estimated to have risen only

(Continued on page 71)

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As steel door sales surge, displays gain prominence 41

Geometrics help shape up windows 41

NEWSBREAKS

WILLAMETTE INDUSTRIES BUYS BOISE CASCADE PLANTS: The Portland, Ore., producer bought facilities in Moncure, N.C., and Chester, S.C., for an undisclosed sum. Its Southern operations now run seven plywood plants, five sawmills, two particleboard plants and one medium density fiberboard plant.

CHANNEL APPOINTS NEW EXECS: The Whippany, N.J.-based chain named Jerry Lorenc as its new vp-store planning, and promoted six other officials into assistant vp slots.

INDUSTRY UPDATE

Standard Brands recoups stock

TORRANCE, Calif. — In a maneuver intended to defend against hostile takeovers, Standard Brands Paint Co. said it will pay $25 per share for six million of the 10.5 million shares of its common stock which were tendered before a Dec. 18 deadline.

Spokesman Craig Walker said the company obtained financing for the stock purchase. The tender offer, however, was oversubscribed, meaning that shareholders "will get cash for 60 percent of their shares and the remaining 40 percent of their shares will be returned."

The recapitalization of Standard Brands makes the company less "asset heavy," Walker said. This could make it less likely to attract a suitor.

In another development, Standard Brands' contract negotiations with a San Diego County labor union have "gone very smoothly," Walker said. A strike failed to occur in San Diego County in December despite a statement by union officials that a work stoppage there was a "real possibility" (*NHCN*, Dec. 14, 1987).

Grossman's protects tax gains

BRAINTREE, Mass. — In an effort to protect one-time tax benefits stemming from its financial reorganization, Grossman's has extended restrictions on stock accumulation through 1990.

Grossman's said in a statement that the amount of shares an individual may own, subject to certain exceptions, is 5 percent. Before company directors extended the stock restrictions, an individual could own only 3.25 percent at year end.

A statement said "the action was taken to protect tax benefits available to the company, principally net operating loss and investment tax credit carryforwards in excess of $200 million."

Manville trust fund begun

DENVER — A court will allow Manville Corp. to make its first payment into a $2.5 billion trust fund to be established as part of its bankruptcy reorganization plan.

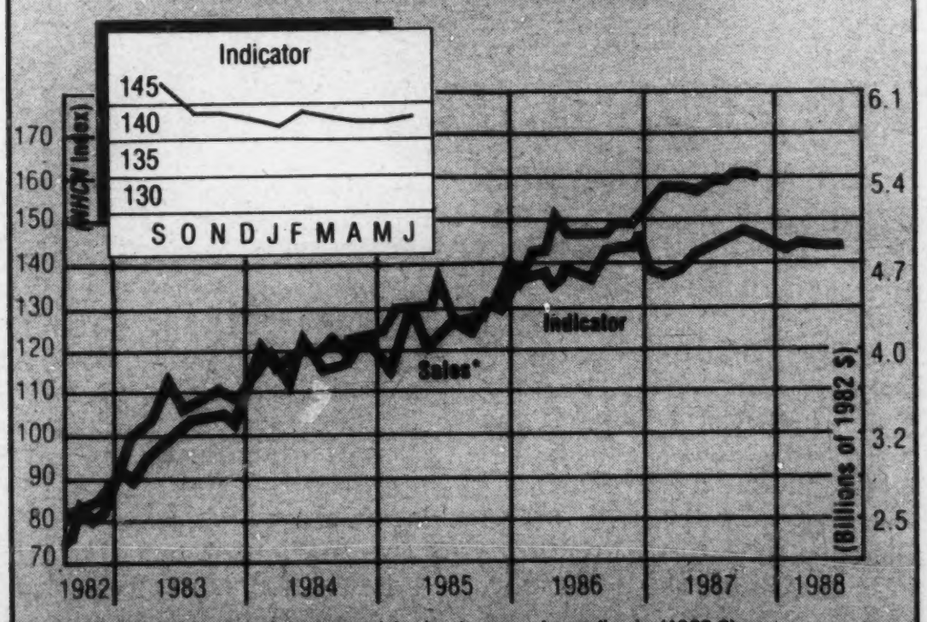
The appeals, made by a group representing people who claim to have been injured by asbestos, and by a Denver building materials distributor, had prevented Manville from making the first payment of $150 million into the fund. It is designed to be used to pay asbestos-related personal injury claims.

But the company successfully argued that making the payment now would allow "a more expeditious settlement of claims," under its reorganization plan.

Manville also argued that payment now would "allow the trust to develop its initial operations and investments," according to a spokesman.

Under the company's reorganization plan, it must have $815 million in the trust fund when it comes out of bankruptcy. Payments into the fund will continue for 20 to 25 years, until the $2.5 billion mark is reached.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building material sales through the first half of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

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Frank O'Dowd, former NBMDA executive vp, dies of cancer

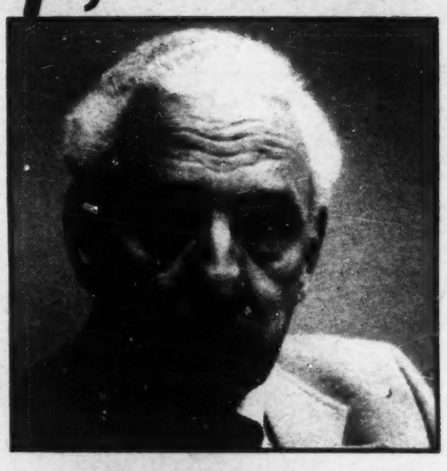
By an NHCN staff editor

WILMETTE, Ill. — Frank E. O'Dowd, a former president and executive vp of the National Building Materials Distributors Association (NBMDA) and a longtime employee of the Edward Hines Lumber Co., died of cancer at his home Dec. 16. He was 67.

O'Dowd, a longtime member of the NBMDA, rose to the association's presidency in 1974 and in 1977 returned to become executive vice president, the association's top staff position. He served in that capacity until he retired in 1985.

"Frank was an exceptionally personable man, . . . a great guy to be around," said Al Leitschuh, his successor at NBMDA.

O'Dowd started his career as a salesman in the early 1950s with the Edward Hines Lumber Co., a Chicago-based retail and wholesale chain. He rose to the post of marketing manager with Hines before taking the NBMDA job.



Frank E. O'Dowd, former president and executive vp of the NBMDA and employee of Edward Hines Lumber. NHCN photo

"He had an unusually distinguished charitable and civic career," said Edward Hines, president of the chain. "He was highly respected in our company, a person of the highest personal integrity and was very widely respected and well known in the industry. He was constantly helping other people."

Always active in the church, O'Dowd, his wife Peggy and their nine children were named Roman Catholic Family of the Year in 1962 by the National Catholic Welfare Conference, according to Frank Hannigan of the Catholic Archdiocese of Chicago. At the time of his death O'Dowd had completed the first of three years' training to become a Catholic lay deacon.

O'Dowd was active in Republican politics in suburban Wilmette, Ill., and was a village trustee of Wilmette for the last eight years.

He is survived by his wife, five sons, four daughters, a sister and seven grandchildren.

Memorials may be sent to the University of Chicago, Hemotology/Oncology Department, Head and Neck Cancer Research, Box 420, Chicago, Ill., 60637.

Hodnik takes on Ace merchandising role

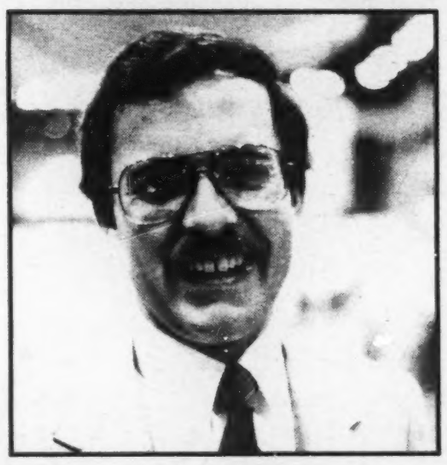
By an NHCN staff editor

OAK BROOK, Ill. — David Hodnik, a 15-year-veteran of Ace Hardware Corp. and its vp-finance and treasurer, was named the co-op's senior vp for merchandising, advertising, finance, treasury, insurance and MIS.

The 40-year-old Hodnik, who prior to his new responsibilities was the third-ranking official at the buying group, spent the last three months working in merchandising and advertising with Ace president Roger Peterson.

Peterson took over the merchandising duties following the August firing of merchandising and advertising vp Frank Szymanek (*NHCN*, Sept. 7, 1987).

Ace's board approved the appointment Dec. 4.



David Hodnik, Ace Hardware senior vp-merchandising.

NHCN photo

Ace vendors contacted by *NHCN* said they were acquainted with Hodnik but that was the extent of their knowledge about him. Neither Hodnik nor Peterson was available for comment.

Ace, the nation's second largest hardware wholesale cooperative with 5,000 dealer-members and more than $1.1 billion in annual sales volume, appears to prefer shifting its management around to vacated posts, regardless of previous skills. For example, Lee Johnson, a senior merchandise manager, was promoted to manager of advertising in late summer 1987. Paul Ingevaldson, the vp-MIS, last year took on the added responsibility for distribution.

Hodnik joined Ace in 1972. He was named corporate controller in 1976 and in 1979 became a certified public accountant. He was named vp of finance and treasurer in 1982.

A graduate of Western Illinois University, Hodnik is married with three children.

Kiln blaze leaves 22 workers in the cold

By an NHCN staff editor

MELLEN, Wis. — A multimillion dollar fire here destroyed five out of eight hardwood drying kilns and left 22 of 30 employees without a job here just before Christmas.

Thirty fire fighters from five volunteer departments fought the 16-hour blaze Dec. 19 at Superior Kilns in this town (pop. 900) about 70 miles southeast of Duluth, Minn.

The fire destroyed most of the company's drying capacity, fork lifts and all the planing and molding machines, according to Mellen Volunteer Fire Chief Paul Jokinen. Firefighters were able to save two other buildings and another kiln with an estimated $250,000 worth of oak and maple in it.

Also saved were several acres of cut lumber poised to enter the kilns.

Jokinen said fire started in one of the drying kilns but was contained in the sealed shed for at least an hour. The first alarm came at 3:03 a.m., and other departments were called in at 3:20 a.m. Fire fighters from Mellen didn't leave until late in the evening.

He put the damage estimate at $1 million to $3 million.

Sid LaVoi, Superior's plant manager, said he saw the fire's glow from his home in town before rushing to the plant. LaVoi said the five-year-old company has a 350,000-board-foot capacity that sprawls over five acres. He said 22 of the firm's 30 employees have been laid off.

"There's a good possibility it'll be rebuilt," said LaVoi.

Superior Kilns is owned by Midwest Lumber, a Minneapolis hardwood supplier to the furniture industry.

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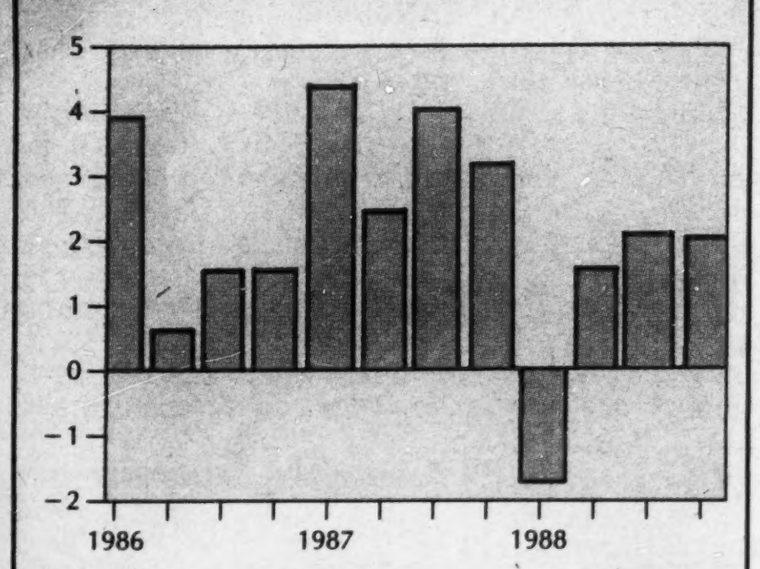
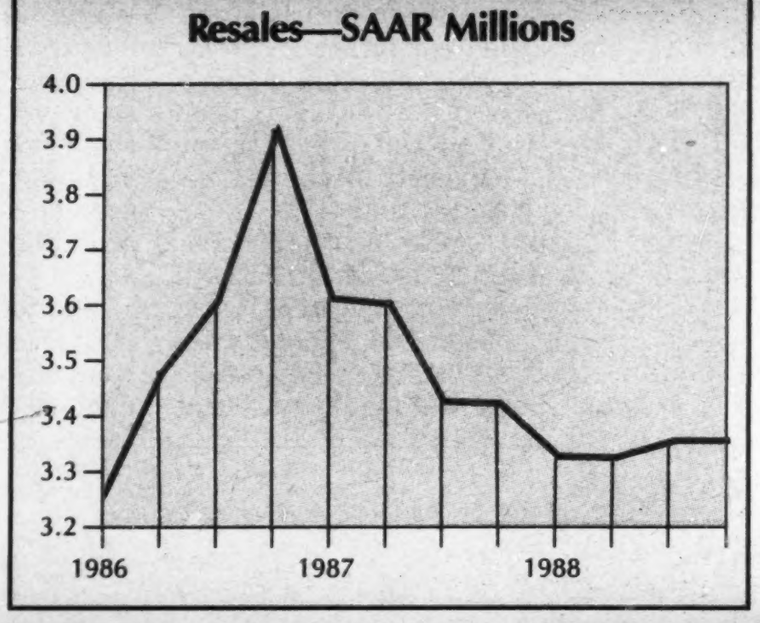
Business Watch

Section 4

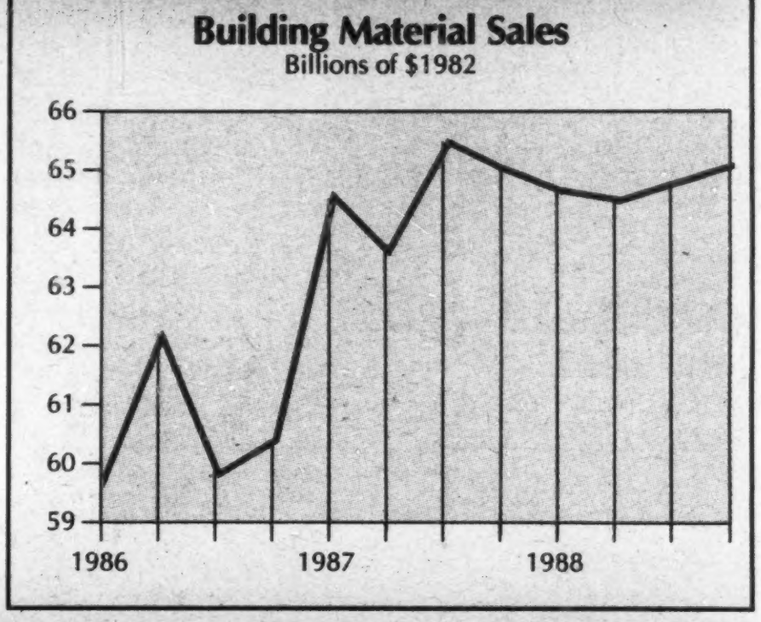
While the economy slows . . .



. . . Resales remain near 3.3 million . . .



. . . Keeping building material sales strong



Building material sales to rise despite consumer debt level

By Richard E. Mount
Special to NHCN

Building material sales are expected to rise 5 percent in 1988, down from the 8 percent gain in 1987. Adjusted for inflation, sales should match the record high in 1987.

Consumer spending, the linchpin of the current expansion, will begin to slow. Consumer debt is at a record high, limiting additional consumption via credit. The softest consumer market should be autos, which must adjust for the sales promotions of recent years. Total real consumer spending is likely to be up only 0.7 percent in 1988 versus 1.9 percent in 1987.

Richard E. Mount

Inflation will be headed higher, with the Consumer Price Index up 4.5 percent against 3.7 percent last year. The lower dollar raises imported prices and allows domestic producers increased pricing flexibility. Labor markets are tightening as well, putting upward pressure on wages. The current unemployment rate is 5.9 percent, down from the 6.9 percent level a year ago.

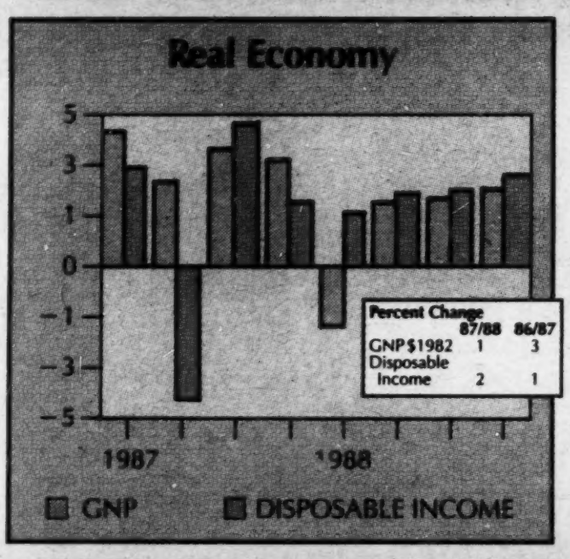
Mortgage rates will be turning up in the second half of 1988. The Federal Reserve followed a stimulative policy in the aftermath of the October stock market drop, but will begin to tighten when inflationary pressures start rising and fears in financial markets ebb.

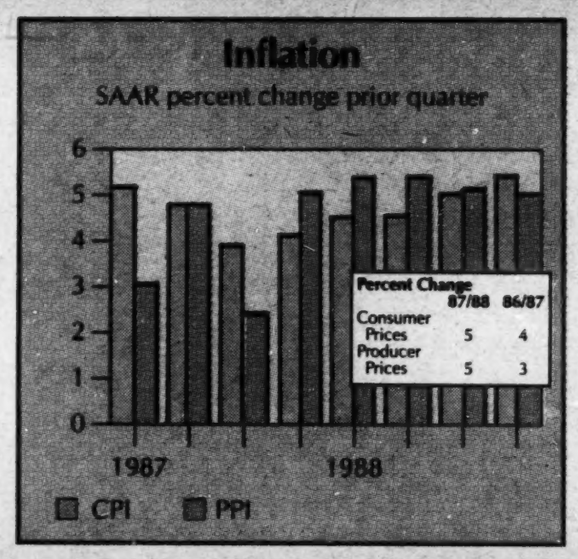
Housing starts continue to decline. Most of the weakness will be in multi-units, however, a less important market than single units for most building material retailers.

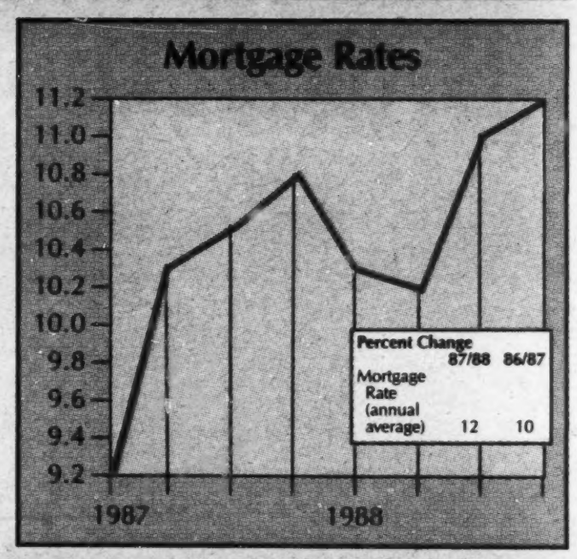
Resales are expected to do reasonably well in this economic climate—down only 5 percent. The gap between new and existing home prices has widened to about 20 percent (historically it has been closer to 5 percent). With consumers looking to put their finances in better shape, demand should shift from new homes to less expensive resales. Resales remain the major market for building materials retailers.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics

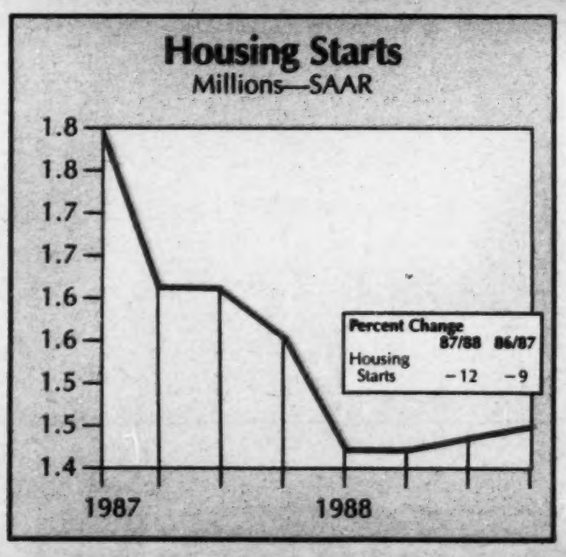
General Business Conditions

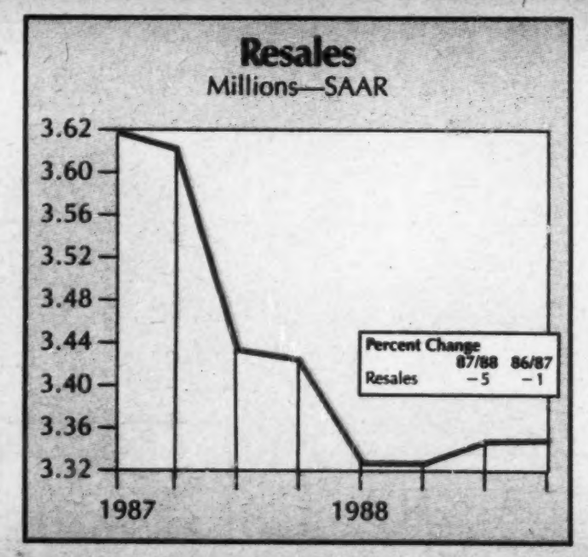


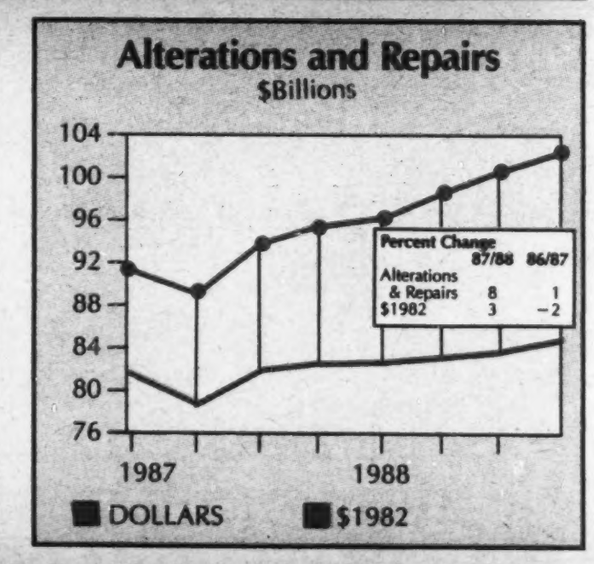




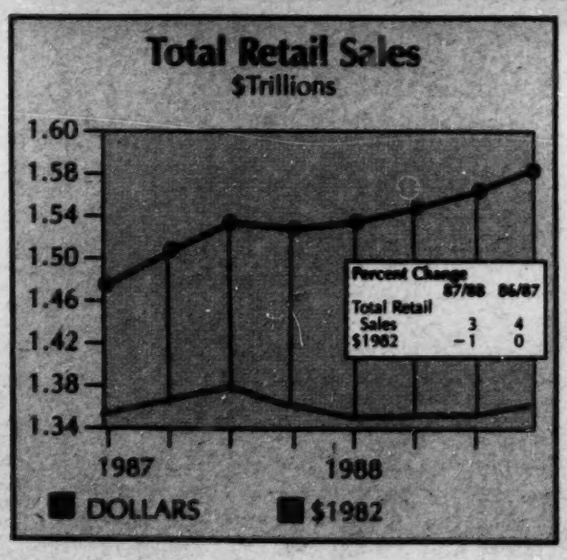
Housing

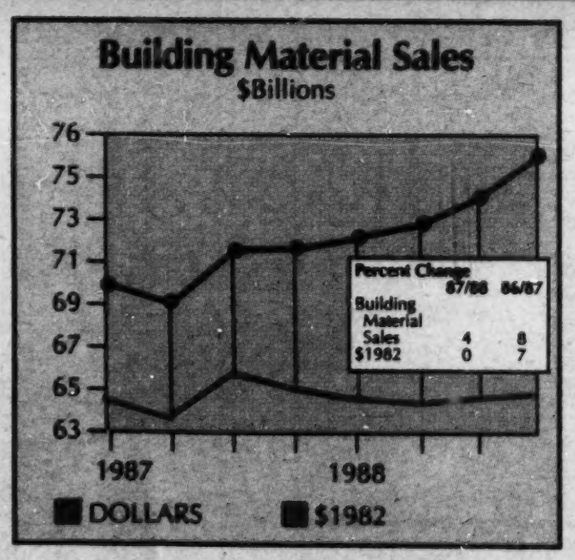


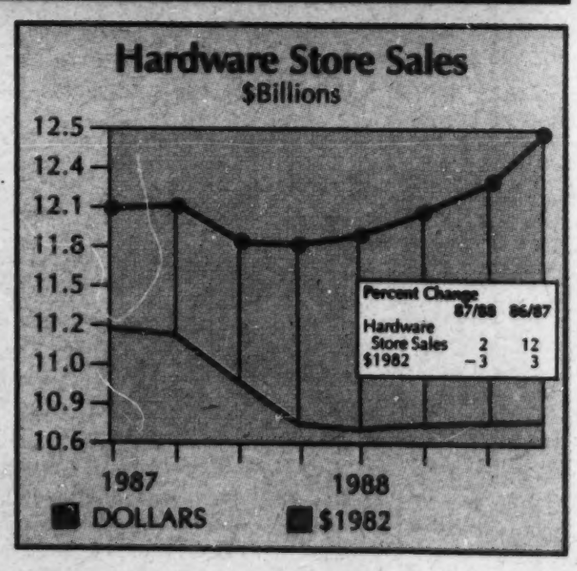




Retail Trade Activity







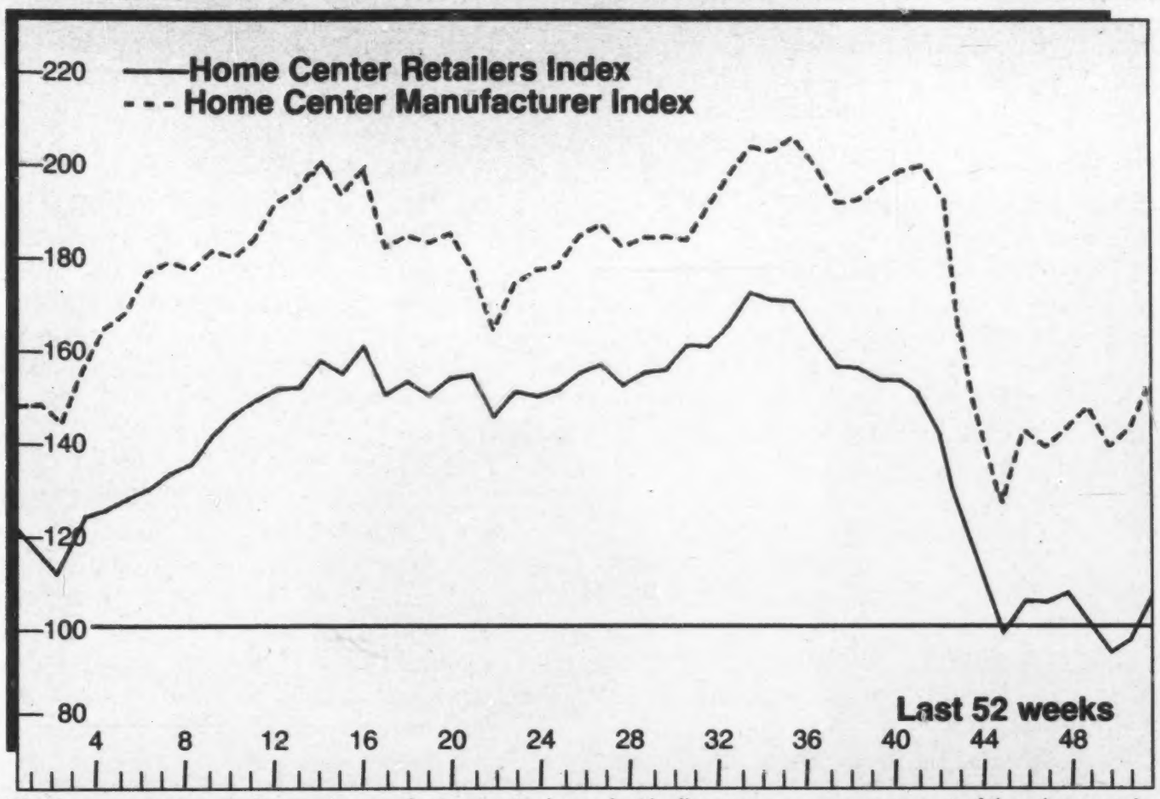
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on December 11, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Season's greetings for stocks

Home center stocks approached the holiday season with a little more cheer than at other times since the October crash. Of the 58 stocks tracked for *NHCN* by Media General, 44 increased in price during the two-week period that ended Dec. 21. Four remained unchanged, and the remainder declined in price.

The biggest winner among retail stocks was Grossman's, which increased by 54.5 percent to close at $6.38. Wickes Cos. went up 31.7 percent to $9.88, on the heels of its anouncement that it was selling its Wickes Lumber subsidiary to a management-led group.

Hechinger A, one of two classified common stocks offered by the Landover, Md.-based retail chain, increased by 31 percent to close at $19.00. And The Home Depot went up 23.4 percent to $19.75.

Lowe's increased by 11.0 percent to close at $17.63, at a time when it was announcing the pending closing of a number of its stores in Texas and North Carolina.

As for retail losers, Pay 'N Pak declined 17.8 percent to $12.13. Standard Brands Paint also declined 14.3 percent, to $16.50. Strober Organization declined 12.5 percent to $7.00. And General Building Products declined 8.3 percent to $4.13.

Among wholesalers, Hughes Supply turned in the best performance. Its stock increased by 17.1 percent to close at $25.63.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 12-21-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	4.13	- .38	- 8.3	4.88	4.00	12.50	4.00	1,216	3.04	1.04	192.3	5.8	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossmn's Inc ..... M	6.38	2.25	54.5	7.50	4.25	11.25	4.13	21,454	8.21	2.12	287.3	19.9	.00	.0	.....	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A ..... M	19.00	4.50	31.0	19.00	14.25	26.50	14.25	7,393	6.76	3.46	95.4	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.75	3.25	21.0	19.25	15.50	26.75	15.50	632	.39	.38	2.6	16.0	.06	.3	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.69	39.1
Home Depot ..... N	19.75	3.75	23.4	19.75	15.50	28.09	11.94	25,937	5.28	2.27	132.6	19.9	.08	.4	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc ..... N	31.63	1.63	5.4	34.00	29.50	54.00	29.50	8,439	2.12	1.28	65.6	9.2	1.60	5.1	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp ..... N	29.63	4.63	18.5	30.25	24.88	48.38	21.63	76,508	3.90	2.01	94.0	9.0	1.16	3.9	.....	9 mos.	10-87	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos ..... N	17.63	1.75	11.0	18.00	15.88	32.75	15.25	15,890	4.01	1.64	144.5	11.2	.44	2.5	.....	9 mos.	10-87	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Nall Hardgoods ..... M	4.13	.13	3.1	4.25	3.75	10.00	3.75	480	3.54	1.30	172.3	6.3	.00	.0	NEW	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Nall Lumber ..... M	3.00	- .25	- 7.7	3.38	3.00	7.50	3.00	941	1.67	.56	198.2	NE	.00	.0	NEW	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak ..... N	12.13	- 2.63	- 17.8	14.63	12.13	21.50	10.88	806	.81	.73	11.0	12.1	.00	.0	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash ..... N	11.25	1.50	15.4	11.63	9.88	26.88	9.63	14,681	4.24	1.58	168.4	9.4	.16	1.4	.....	9 mos.	08-87	488.9	16.7	11.1	- 17.2	.32	- 17.9	1310.8	16.8	30.8	- 1.9	.89	- 2.2
Scotty's Inc ..... N	12.63	- .13	- 1.0	13.25	12.38	15.88	10.00	1,059	.72	1.07	- 32.7	16.6	.52	4.1	.....	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck ..... N	34.88	4.63	15.3	35.38	30.13	59.50	26.00	94,354	2.50	1.37	82.5	8.1	2.00	5.7	NEW	9 mos.	09-87	12193.2	9.1	409.0	24.7	1.08	22.7	34391.2	9.8	1087.3	34.5	2.86	31.8
Std Brd Pnt ..... N	16.50	- 2.75	- 14.3	20.75	16.50	31.88	16.13	3,703	3.29	4.13	- 20.3	12.0	.00	.0	NEW	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	7.00	- 1.00	- 12.5	7.25	6.50	15.25	6.50	867	1.43	.80	78.8	7.4	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos ..... N	9.88	2.38	31.7	10.25	7.25	25.00	7.25	33,593	7.02	3.35	109.6	3.9	.00	.0	.....	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber ..... M	10.25	1.25	13.9	10.50	8.88	18.75	7.88	1,122	1.91	1.50	27.3	7.5	.24	2.3	.....	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp ..... N	15.13	.75	5.2	16.38	13.63	37.00	13.50	39,467	6.96	4.87	42.9	5.5	.40	2.6	.....	9 mos.	10-87	1801.7	21.7	21.2	- 7.4	.37	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																													
Hughes Supply ..... N	25.63	3.75	17.1	25.88	21.75	30.25	19.75	777	2.34	1.59	47.2	10.2	.40	1.6	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley ..... M	4.00	- 1.50	- 27.3	5.00	4.00	9.75	3.88	414	1.66	1.05	58.1	15.4	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	7.25	1.00	16.0	7.50	6.50	9.88	5.75	1,969	4.89	2.06	137.4	19.1	.28	3.9	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc ..... M	9.25	- .38	- 3.9	9.75	8.75	13.31	6.19	67	.38	1.34	- 71.6	8.7	.31b	3.4	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.28	16.7	47.0	7.3	1.4	27.3	.76	31.0
Manufacturers																													
Am Consum Prods ..... M	9.88	.00	.0	10.50	9.75	14.25	7.88	64	.31	1.35	- 77.0	16.2	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard ..... N	37.88	5.38	16.5	38.00	32.00	55.00	30.50	10,616	3.31	1.51	119.2	9.8	1.80	4.8	.....	9 mos.	09-87	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark ..... M	8.25	1.50	22.2	9.13	6.50	17.13	6.50	836	1.21	.81	49.4	9.0	.00	.0	.....	6 mos.	10-87	34.3	7.5	2.4	4.3	.35	6.1	66.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld ..... N	30.50	5.38	21.4	31.50	25.25	47.38	22.50	20,562	4.34	2.12	104.7	9.9	.90	3.0	.....	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	26.8
Black & Decker ..... N	17.13	2.38	16.1	17.25	14.38	26.50	13.00	28,988	4.98	2.02	146.5	18.0	.40	2.3	.....	fiscal	09-87	502.1	14.7	15.0	581.8	.26	766.7	1934.8	8.0	55.6	102.2	.95	93.9
Boise Cascade ..... N	70.00	11.75	20.2	70.00	58.25	86.88	48.00	21,862	7.76	3.14	147.1	13.4	2.00	2.9	.....	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed ..... N	26.13	1.63	6.6	26.25	24.13	45.75	24.13	2,156	1.14	.79	44.3	8.3	1.00	3.8	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl ..... N	35.38	6.63	23.0	35.88	29.00	44.63	21.75	54,289	5.70	2.89	97.2	9.2	.80	2.3	.....	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl ..... M	6.00	.00	.0	6.25	5.50	18.25	5.00	895	1.76	1.20	46.7	10.9	.00	.0	.....	fiscal	09-87	28.2	97.2	1.2	140.0	.25	92.3	82.0	43.9	2.7	42.1	.55	7.8
Cooper Indus ..... N	55.50	8.50	18.1	56.38	46.75	74.50	39.00	19,003	3.80	1.71	122.2	16.7	1.68	3.0	.....	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc ..... N	21.63	.00	.0	21.75	21.00	43.75	21.00	1,716	4.32	1.77	144.1	7.5	1.40	6.5	NEW	9 mos.	09-87	99.2	- 7.9	1.9	NE	.47	NE	308.2	- 8.3	10.9	211.4	2.74	275.3
Emhart Corp ..... N	20.63	3.13	17.9	22.38	17.25	26.63	15.50	10,634	1.70	1.02	66.7	13.4	.80	3.9	.....	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1789.9	16.5	80.1	NE	1.28	NE
Georgia Pacific ..... N	35.00	5.00	16.7	35.13	29.75	52.75	22.75	51,218	4.70	2.32	102.6	9.0	1.20	3.4	.....	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	27.2	6974.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp ..... N	16.00	1.75	12.3	18.00	14.00	26.13	14.00	9,453	4.53	1.38	228.3	9.4	1.00	6.3	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
Lit Pacific ..... N	27.75	2.75	11.0	28.25	24.75	39.75	21.50	9,557	2.49	1.71	45.6	9.4	.80	2.9	.....	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel ..... M	18.50	3.38	22.3	18.50	16.00	23.50	9.81	18,866	1.85	1.11	66.7	NA	1.10	NA	.....	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp ..... N	2.38	.00	.0	2.63	2.25	5.38	1.75	7,030	2.93	1.94	51.0	.5	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.75	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp ..... N	22.63	3.38	17.5	23.63	19.25	40.88	18.75	32,593	2.46	1.56	57.7	12.4	.40	1.8	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds ..... M	5.75	- .75	- 11.5	6.75	5.75	14.38	5.75	208	.84	.56	50.0	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co ..... N	27.88	5.88	26.7	28.00	22.13	43.00	21.13	3,010	2.62	1.00	162.0	11.5	.84	3.0	.....	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Norfolk Inc ..... N	7.13	.13	1.8	7.38	5.50	17.38	5.00	9,090	5.77	2.48	132.7	11.9	.10	1.4	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	16.00	3.25	25.5	16.75	12.00	32.38	9.00	29,404	7.85	3.75	109.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	11.00	1.88	20.5	11.25	9.13	18.13	9.00	3,867	3.46	1.57	120.4	9.9	.12	1.1	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot ..... N	17.88	5.13	40.2	17.88	12.63	27.25	9.75	8,112	6.75	2.57	162.6	7.3	.44	2.5	.....	9 mos.	09-87	113.5	45.3	7.0	62.8	.59	63.9	320.1	40.2	20.9	182.4	1.74	180.6
Potlatch Cp ..... N	27.00	2.63	10.8	27.88	24.25	41.88	21.00	6,178	2.30	.97	137.1	9.2	.92	3.4	.....	9 mos.	09-87	246.9	- 1.2	22.6	35.3	.80	35.5	739.4	.9	62.7	25.9	2.23	26.0
PPG Inds ..... N	35.00	4.13	13.4	35.63	30.63	53.50	27.50	29,525	2.47	1.53	61.4	11.9	1.20	3.4	.....	9 mos.	09-87	1260.5	10.5	91.3	10.7	.76	10.1	3655.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms ..... N	24.75	4.00	19.3	26.00	20.88	38.50	20.13	9,698	2.18	1.33	63.9	9.9	.56	2.3	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works ..... N	25.13	2.38	10.4	26.50	22.50	36.63	21.25	5,864	1.34	.70	91.4	13.0	.88	3.5	.....	9 mos.	09-87	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	60.4	9.2	1.39	5.3
Thos Inds ..... N	15.88	1.88	13.4	16.63	13.88	21.53	13.81	1,003	.96	.73	31.5	10.7	.65b	4.1	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.36	71.4	241.4	9.4	12.3	28.1	1.18	28.3
Triangle Ind ..... N	25.63	1.25	5.1	25.75	23.50	44.00	22.50	8,181	3.60	1.56	130.8	11.5	.12	.5	NEW	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp ..... N	36.50	5.13	16.3	37.25	31.75	48.19	26.00	26,562	3.61	1.93	87.0	14.0	1.16	3.2	.....	9 mos.	09-87	583.2	13.0	56.5	54.8	.77	54.0	1697.8	12.4	148.5	70.5	2.02	69.7
USG Corp ..... N	29.63	4.38	17.3	32.75	25.50	55.88	23.50	32,723	6.39	4.26	50.0	6.5	1.12	3.8	.....	6 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.69	36.1
Waller, Jim ..... M	59.50	.25	.4	59.88	58.25	62.38	35.81	698	.22	.20	10.0	14.5	1.20	2.0	NEW	fiscal	09-87	709.4	7.1	83.5	6.8	1.87	46.1	2429.2	2.6	166.1	19.8	4.09	10.2
Waxman Ind ..... M	8.00	- .50	- 5.9	8.50	7.25	13.25	7.25	1,728	2.73	1.96	40.0	11.6	.10	1.3	.....	3 mos.	09-87	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser ..... N	41.38	7.25	21.2	41.75	34.25	60.00	19.00	46,692	3.42	1.81	89.0	13.9	1.50	3.6	.....	9 mos.	09-87	1819.8	30.2	126.1	102.7	.89	102.3	5206.3	25.9	317.2	75.6	2.27	87.6

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

"Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Home center firms post healthy 1987 financial results

(Continued from page 1)

"On a nationwide basis, it was an above-average year," said Harlan Hummel, executive vp of the National Lumber and Building Material Dealers Association (NBMDA), the 15,000-member association.

Numbers just released by publicly held retailers tell the same tale. For the first three quarters of the year, sales increased by 9 percent to $1.9 billion at Lowe's, and 24 percent to $553.6 million at Hechinger. They increased 21 percent to $171.8 million at Wolohan Lumber and by 46 percent to $1.1 billion at The Home Depot.

Nearly every publicly held home center chain reported a higher net margin for the first three quarters of 1987 than for the same period in 1986.

Strober Organization, Brooklyn, N.Y., had the highest net margin among dealers in this group. Its 5.7 percent return on sales compared with a 5.5 percent for the first nine months of 1986.

For the third quarter, earnings grew 51 percent to $9.4 million at Hechinger; 33 percent to $16.6 million at Lowe's; and 148 percent to $9.7 million at The Home Depot.

The warehouse division of Zayre Corp., which includes HomeClub, posted a $4.2 million operating profit for the third quarter, compared with a $5.5 million operating loss for the same quarter in 1986.

As go retailers, so go wholesalers. Al Leitschuh, executive vp of the National Building Material Distributors Association, Deerfield, Ill., noted that his 500 members have reported a "better than average" year.

And at the National Wholesale Hardware Association, Philadelphia, managing director Thomas A. Fernley III reported that shipments increased by 6 percent for the first 10 months of 1987, up from the 4 percent increase reported in 1986.

"There is more production going through the pipeline than ever," said Fernley.

The lowering of the maximum corporate tax rate, as mandated by the Tax Reform Act of 1986, had a major effect on home center profits.

The third-quarter tax rate declined to 35.2 percent from 44.9 pecent at Hechinger; to 43.6 percent from 55.3 percent at The Home Depot; and to 45.2 percent from 50.8 percent at Wolohan Lumber. Other dealers had similar drops.

Cuts in selling, general and administrative expenses also brought greater profitability to some of the companies. Grossman's, for example, cut its SGA to 21.4 percent of revenues in the third quarter of this year, down from the 22.5 percent reported for the same period in 1986.

"Based on the economic uncertainty, we are currently cutting back in many areas," said Bruce Meltzer, president of General Building Products, Medford, N.Y. He pointed to yard and delivery expenses, and excess inventory as the prime cut targets.

"But we are *not* cutting back on selling expenses," added Meltzer, noting that trimming sales force or reducing advertising would only be self-defeating.

Retailers emphasized the powerful effect changes in regional economies have had on an industry that is still overwhelmingly composed of regional players.

The Northeast seemed to have the healthiest consumer and contractor business, according to Hummel of the NLBMDA. He characterized the upper Great Plains as "considerably better" than in 1986; California and the central Midwest as "much improved"; the Northwest as "fair"; Texas as "improved a little" and Louisiana as "still in the doldrums" from the oil industry.

Hummel noted that mid-America, including Nebraska, Oklahoma and Kansas seemed to be "still below par."

"It was a very good year," said Bill Sherry, president of ENAP, a $235 million co-op with 152 yards in 11 Northeast states, based in New Windsor, N.Y. He projected ENAP's 1987 sales to be up 32 percent.

Problems in the oil patch have continued to pull down earnings reports from Payless Cashways, Lowe's and others with stores in the region.

But for much of the home center industry, competition, not depressed housing or regional economies, determined sales performances.

At National Hardgoods Distributors, Stoughton, Mass., president Sheldon M. Woolf said 1987 was "a poorer year" than 1986, when judged by sales growth at stores open longer than one year. Such growth came to only 5 percent through the first three quarters of 1987, compared to the compounded 12.1 percent same store sales growth rate for the previous four years.

While NHD's third-quarter sales rose 27.6 percent to $10.7 million, and same store sales rose 7.3 percent, it suffered a $56,000 loss in the latest three-month period.

The reason was that competitors such as Somerville Lumber, Channel and Rickel have opened new stores in the Rhode Island market. Consequently, NHD was forced to promote heavily, which impacted margins and volume.

H&H Home Center, the $6 million independent in Seaside, Calif., experienced a 7 percent rise in volume in 1987 after a 10 percent rise the previous year. But general manager Mike Cole attributed the softening in sales increases to the opening of a new Ace store nearby earlier this year. When that store closed later in 1987, volume at H&H started to increase by 14 percent over the same period in 1986.

Nevertheless, based on 1987 results, a good number of dealers were looking forward to 1988.

"We anticipate gaining sales next year," said Dave Gregory, advertising director at Star Lumber, the $50 million retail chain based in Wichita, Kan. While the local economy has been flat, Gregory noted that Star is engaged in retrofitting its stores, and expects that action to generate more sales from the same store base.

However, Mark Manis, vp of the $26 million Manis Lumber, Atlanta, noted that the economic boom has been going on for so long that the chance for a recession has gotten greater.

"Sooner or later we will see a slowdown," said Manis.

Kuwait becomes partner in Western Lumber

(Continued from page 1)

tries, which, consolidated with Western Lumber, will generate annualized sales of $450 million and employ 2,800 persons. Seven percent of Georgetown Industries is owned by management and directors, including the company's chairman, G. William Miller, the former U.S. Treasury Secretary.

Anderson said Georgetown has "no plan to change anything except to support Western Lumber with further growth plans."

For Western Lumber Co., the transaction represents the conclusion of a 25-month foray into the San Diego County home center business by McCown DeLeeuw & Co., a division acquisition fund, which, along with Quimby, formed Western Lumber in September 1985 to purchase the southern California building materials distribution division of Boise Cascade Corp. for $27 million.

George McCown, a partner in the venture capital firm bearing his name with offices in Menlo Park, Calif., and New York City, said the sale to Georgetown gave a substantial return to Western Lumber investors. McCown's firm also recently assisted in the management buyout of 20 Boise Cascade Building Centers located in six Western states (*NHCN*, Nov. 30, 1987).

McCown, former chairman of Western's board of directors, said Western Lumber had been "absolutely" making a profit despite its location in the extremely competitive San Diego market.

"Western Lumber is a very fine company with an excellent record," he said. "It really is the most significant supplier of building materials in the San Diego market."

Looking to expand

Evidence of Western Lumber's commitment to grow the business was its purchase of three Lumber One lumberyard facilities in Solana Beach, Fallbrook and Temecula in July 1987, for $6.7 million, in a bankruptcy court action by former owner Donald F. Cole. Western Lumber also entered into a lease agreement on a fourth Lumber One site in Ramona (*NHCN*, July 13, 1987).

McCown said the steps that led to Georgetown's purchase of Western Lumber were first taken last summer following the Lumber One acquisition.

"We began exploring the recapitalization of Western Lumber with additional subordinated debt or equity," McCown said. "In that process we had several banking inquiries concerning the sale of the whole company. At the time, we said no."

Georgetown's representatives were "persistent," McCown recalled. "They offered a price you couldn't refuse. The $40 million [purchase price] generated a very substantial return to the owners of the company."

"We had substantially enhanced the value of the company and there was no logical next move," McCown said. "Without going dramatically beyond its current geography, Western has a limited opportunity to grow."

Seasonal fare gives dealers green Xmas

(Continued from page 1)

around 4 percent over 1986, according to many news reports), home improvement dealers selling Christmas-oriented products appeared to fare quite well last month.

A random sampling of the industry found many home centers who got into the Christmas selling spirit either by promoting year-round merchandise such as batteries, Duraflame logs or power tools for the holiday, or by having complete trim-a-tree programs. In either case, holiday merchandise was heavily promoted both in-store and through print advertising.

Buyers that have been dealing with seasonal merchandise for two years or more reported that almost all seasonal merchandise is sold out prior to Christmas. Bill Crayton, merchandise manager at Ernst Home & Nursery, Seattle, said that 95 percent of the merchandise was sold before the holiday, which he attributes to his buying in the right quantities.

Crayton added that his seasonal merchandise has been on computerized inventory for a 1½ years which, he said, made it easier to evaluate the previous year's product movement.

The 73-unit Ernst sold both fresh cut and artificial Christmas trees. Fresh cut trees ranged from $10 to $30, while artificial trees started at $19.95 up to $299.99. Ninety-five percent of the artificial trees were sold before Christmas, he said.

Poinsettias sold out, according to Crayton. Appliances promoted as gifts sold above average amounts.

The 47-unit Handy Andy Home Improvement Centers, Schaumburg, Ill., also had a good Christmas selling season, according to Cathy Penn, assistant seasonals buyer. But while most lines sold out, she said that the decorated wreaths didn't do as well as anticipated. However, nearly 75 percent of the artificial trees and lights were sold before Christmas. The fresh cut trees sold out, she added. Penn would not disclose the price point range.

This is the third year that Scotty's, the 146-unit Winter Haven, Fla.-based chain, has "gotten into gift items and the trim-a-tree program in a big way," said Bob Fant, advertising director.

Scotty's does not sell fresh cut or artificial trees, but the retailer promotes tree lights, ornaments and lawn ornaments as well as brass giftware with a holiday theme. Ninety percent of the merchandise was sold before the holiday.

Promotional poinsettias, priced at $2.99, "went like crazy," said Fant.

Triangle Building Centers, a five-store Quakertown, Pa., independent, experienced "a real good holiday season," according to a store spokesperson. "We had no leftover merchandise and we didn't take any big price markdowns," he said.

He attributed part of the holiday sale success to good weather and stressed that the merchandise was brought in and sold at the correct price.

Somerville Lumber's chairman Harold Cohen acknowledged that although the Massachusetts-based subsidiary of Payless Cashways did not concentrate on seasonal merchandise, it did promote regular items in a seasonal way.

"We stick to the basics. Business was good during December. Our flyer had more concentration on tools and appliances."

Lowe's closes 16 units in depressed oil patch region

(Continued from page 1)
leave Lowe's with 295 stores and 4.8 million square feet of retail space.

Thirteen of the stores to be closed are in the Dallas-Fort Worth area of Texas. Lowe's will also close one store each in Oklahoma, Georgia and South Carolina. Oxford said the Georgia and South Carolina stores are older, leased properties that have been overshadowed by newer Lowe's operations.

"We're not exiting those markets," he said.

Lowe's is also keeping nine stores open throughout Texas. After closing several Oklahoma stores earlier this year, the company has two left in that state.

The shutdown announcement was not unexpected. In September, Lowe's chairman Robert Strickland told a group of security analysts that "one way or another we're getting out of those [oil patch] markets." But at that time, Stickland would not confirm that Lowe's intended to close stores there.

For fiscal 1986, Lowe's took an $8 million pretax loss on its stores in Texas, Louisiana and Oklahoma. Though fourth-quarter and end-of-year figures for 1987 will not be available until February, Oxford said the Louisiana stores have shown a profit this year.

But housing starts declined drastically in Texas, seriously affecting Lowe's stores there. Oxford said 60 percent of the average Texas store's sales were to contractors, with 40 percent on the retail side. Those figures are the reverse of Lowe's contractor-retail mix elsewhere.

Oxford said Lowe's is currently developing closing cost and savings estimates for the shutdown.

Inventory from the closed stores will be funneled to Lowe's distribution centers, he said, for use elsewhere. The stores, which average about 10,000 square feet, will be probably be sold.

"We have no buyers on hand at this time," Oxford said. "But we're not going to just arbitrarily sell those properties at depressed prices. We still think they're prime retail locations."

CoastAmerica drives into auto aftermarket in latest buy

(Continued from page 6)
pendent businesses and may order from other sources," Wiley said.

Despite their new arrangement with CoastAmerica, the Otasco dealers are expected to continue to use the Otasco name and format, but some may choose to broaden their product lines. CoastAmerica's warehouses stock 28,000 stockkeeping units while Otasco warehouses carry 8,000 skus.

CoastAmerica now handles about 80 percent of Otasco's merchandise mix and is gearing up to provide the other 20 percent—including tires, brown goods such as microwaves and major appliances. These items will also be available for the first time to the nearly 1,000 Coast to Coast stores as well. CoastAmerica also will expand its auto aftermarket skus.

James R. Holland, newly named executive vp and cfo of CoastAmerica, said "ultimately the deal will enhance the buying ability of Coast to Coast stores."

Holland described the Otasco acquisition as "a fold-in." "From an operating point of view, we will take advantage of additional buying power generated by having more stores to service."

Holland said the Otasco stores do not overlap Coast to Coast store trading areas.

Otasco stores are in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee and Texas.

CoastAmerica will service the Otasco dealers from its distribution centers in Brookings, S.D., and Crawfordsville, Ind.

Congress revives and passes housing bill

(Continued from page 7)
authority for the Federal Housing Administration's mortgage insurance program and an increase in the maximum mortgage amount in areas with high home prices from $90,000 to $101,250; funding for rural housing; and funding for assisted housing at current levels.

The program also provides for a grant program to encourage home ownership in distressed neighborhoods. All of the bill's provision are designed to help low- and moderate-income families.

Melvin J. Adams, president of the National Association of Housing and Redevelopment Officials, praised the bill's passage.

"The nation is faced with an appalling reality of unmet [housing] need," Adams said. "Now we hope to begin to address that."

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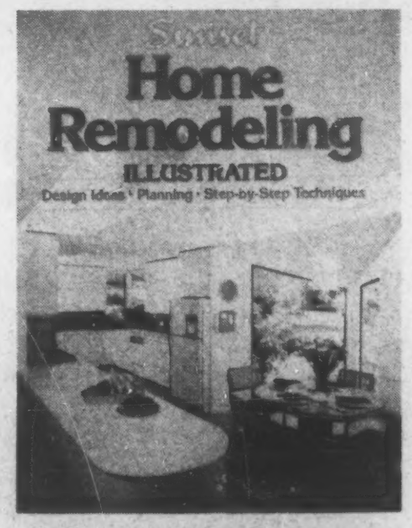

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Industry execs convene in Chicago

Dr. Philip Kotler (above), professor of marketing at the J.L. Kellogg School of Management, Northwestern University, talked about the challenge of becoming a market-driven company during his keynote address to the first Home Center Presidents Council Conference, which was held in Chicago late last year.

More than 100 retailers and manufacturers attended the two-day event, which also included sessions on store design, transportation, law, outplacement, wholesaling, the economic outlook and service.

Pictured at the right are Busy Beaver president Charles Bender (left) with Robert Rosser, senior vp, West Building Supply, during a reception.

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Home center firms go on store-closing spree

Chains won't gamble on low-profit units

By Brad Altman and John Caulfield

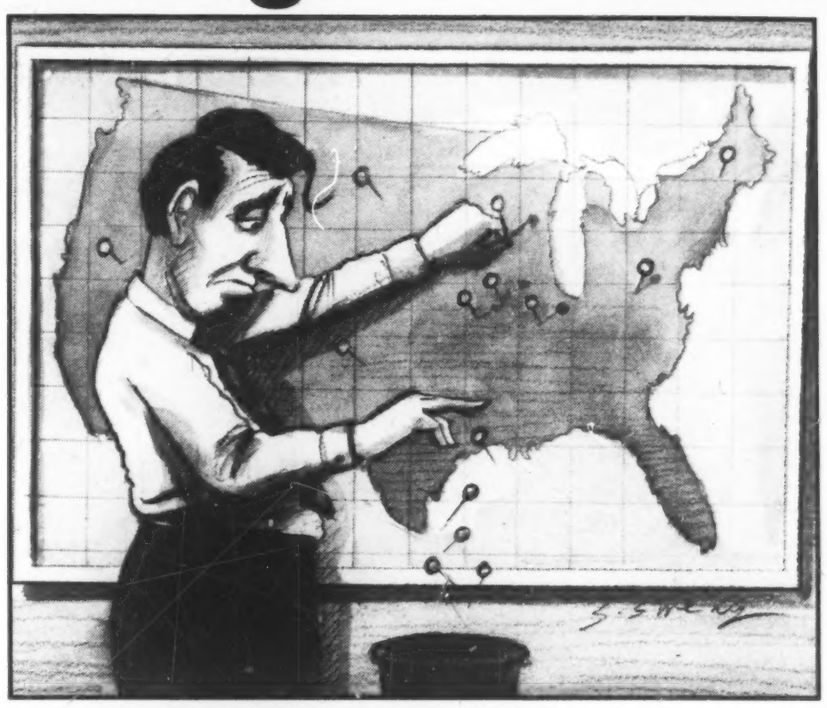
NATIONAL REPORT — On Dec. 31, Grossman's closed down its 60,000-square-foot store in Old Bridge, N.J. Normally, this would be no big deal, except for the fact that when this unit opened April 25, 1984, it was seen as a warehouse prototype and a symbol of what was to come for the Braintree, Mass.-based chain.

News Analysis

But its closing is more symbolic of what, over the past year, has become all too evident in home improvement retailing: There are too many stores, there has been too much expansion, and some of the industry's larger players are no longer willing to keep open marginally performing units.

Announcements by Lowe's, Payless Cashways and now Pay 'N Pak (*see other story*) that they would be closing collectively about 30 units over the next several months have raised some eyebrows about the strength of various markets and the direction some chains and independents want to take going into the 1990s.

Each company issued a statement which gave a different justification for the store shutterings, but several industry analysts believe the closings signal a trend among retailers to focus more attention on store-level operations.



In Grossman's case, the chain is looking to concentrate on clustering stores to dominate certain markets—Boston; Roanoke, Va.; Buffalo, N.Y., and some areas of New Hampshire and Connecticut—and to deploy its capital expenditure for new units more wisely.

"I don't want to imply that the [Old Bridge] store was in a bad market," said Stanley Berman, senior vp-administration for Grossman's. "But the market totally changed."

Over the past few years, Mr. Goodbuys has moved into Grossman's New Jersey turf, Rickel completely retrofit-

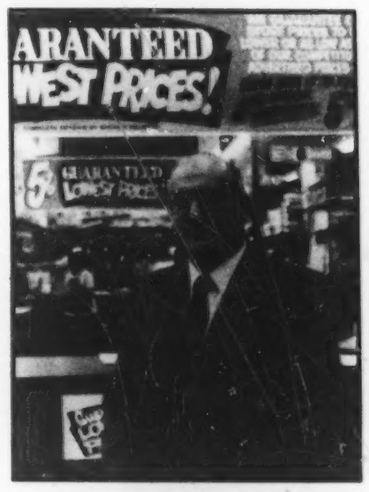
(Continued on page 63)

Pay 'N Pak shutters eight units in West

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak closed eight "marginally profitable" stores in four states late last year and the retailer recorded a $1.7 million write-down in its third-quarter financial results.

Pay 'N Pak shuttered four units in the greater Denver market, two in Oklahoma City, one in Grand Forks, N.D., and one in Sioux City, Iowa.



David Heerensperger, chairman of Pay 'N Pak.
NHCN photo

The closings mark a retreat for Pay 'N Pak from Oklahoma, North Dakota and Iowa, but not Colorado, where the retailer continues to operate units in Colorado Springs and Greeley.

In a prepared statement, David J. Heerensperger, chairman, said, "The stores that the company closed were marginally profitable at best and the capital required to operate them is being put to better use."

(Continued on page 63)

Free trade pact with Canada draws criticism

By Ariane Sains

NEW YORK — Political shots are being freely traded over the issue of free trade between the U.S. and Canada, with some retailers and manufacturers in both countries waiting to see what will happen.

On Jan. 2, a comprehensive agreement that would phase out almost all tariffs and trade barriers was signed by President Ronald Reagan and Canadian Prime Minister Brian Mulroney.

The agreement must be ratified by Congress and the Canadian parliament. Substantial opposition on both sides of the border is expected.

But if the pact goes through, some Canadian manufacturers say they are concerned that their operations

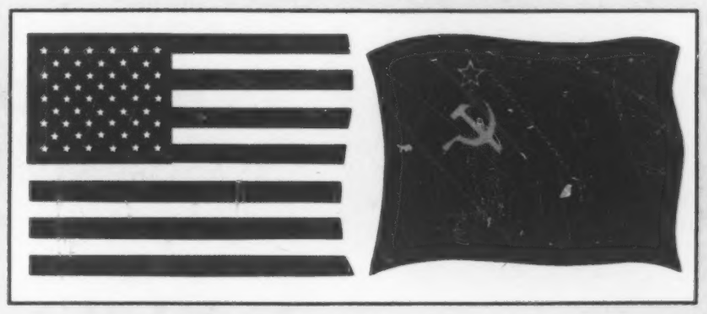
(Continued on page 63)

Joint U.S./Soviet housing rehab project to start in spring

By an NHCN staff editor

SILVER SPRING, Md. — When it comes to *glasnost*, John Knott's way ahead of Soviet leader Mikhail Gorbachev.

For three years Knott, president of a construction firm based here, has been negotiating with Soviet authorities to establish a joint housing rehabilitation project.



In early spring, the first phase of the program will begin simultaneously in Indianapolis and Smolensk in the U.S.S.R.

Under a 1974 agreement, the Soviet Union and the United States have exchanged information about housing technology and construction. But Knott's project is the first time the two countries will pool construction techniques, materials and knowledge.

Knott says most of the building materials will come from United States suppliers, though their selection won't be for several months.

But much of the technology will come from the Soviet Union.

"There's a lot we can learn from them. Essentially, each building has its own passport," Knott says of the Soviet's computerized system of cataloging buildings. Information about the age, construction and location of every building in the country is recorded and updated annually.

Knott says that information can be used to design the best rehabilitation plan more quickly than can be done in the United States.

Over the next three

(Continued on page 64)

New stumpage fees end 15% lumber tariff

By Milford Prewitt

VANCOUVER, B.C. — The 15 percent export tax on U.S.-bound lumber shipments from Canada is officially dead.

It was rescinded Dec. 1 when higher stumpage fees in this province were accepted by American trade negotiators as a satisfactory replacement for the export duty.

For most of 1987, Canadian exporters paid a 15 percent tax on the mill value of all lumber shipped to the U.S.

The new stumpage rates have incurred as much vehemence from the country's forest products producers as the old tax. But some have said they would prefer the export tax reinstituted.

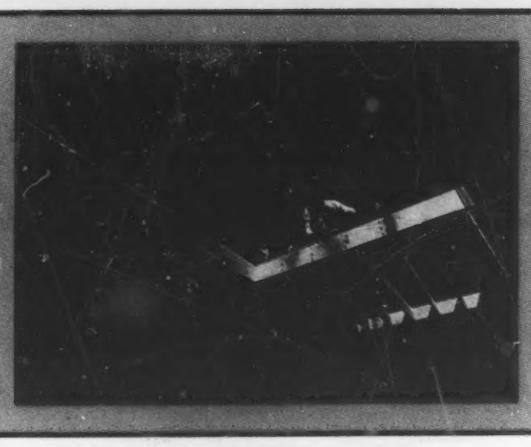
Canadian producers said the new stumpage fees pose a number of unprecedented

(Continued on page 63)

INSIDE

Room Additions and Remodeling

Consumers remodeling and adding rooms to their homes are seen by many home centers as the prime candidates for project sales of building materials. However, it appears that home centers are marketing projects more to contractors than homeowners, who don't show a strong preference about where commodities are bought, but select the home center later, for post-remodeling fare.



NEWSBREAKS

NORTEK BUYS USG's CASTLEGATE DIVISION: Purchase of the Pittsburg, Kan., Castlegate, which produces insulated steel doors, places the Providence, R.I., conglomerate among the nation's largest door makers.

STAMBAUGH-THOMPSON GMM TO START OWN COMPANY: Don Senne, a 15-year veteran of the Youngstown, Ohio, chain, resigned to start Decorator Depot, Inc., a home decor chain to be based in Warren, Ohio. He plans to open two 6,000-square-foot units this spring.

INDUSTRY UPDATE

Stanadyne target of hostile bid

HARTFORD — Emhart Corp., based here, said it has not made any decision on whether to sell Stanadyne Inc.'s nonplumbing businesses if its hostile takeover of the Elyria, Ohio-based company is successful, despite a published report in *The New York Times* that it would do so.

"It is much too early to make that decision," said Emhart spokesman John Budd.

Meanwhile, Stanadyne, according to *The Wall Street Journal*, asked shareholders not to make a decision on whether to tender shares to Emhart under a $40-a-share offer until Stanadyne's board can make a recommendation on the bid scheduled for Jan. 22. Stanadyne has retained Goldman, Sachs & Co. as its investment advisors.

In a filing with the SEC, Emhart said it has a commitment from a syndicate of banks for $600 million to complete the takeover, estimated to cost $585 million.

Hechinger to build larger HQ

LANDOVER, Md.— Hechinger has purchased 13 acres of land in the Inglewood Business Community, Landover, Md., from McCormick Properties, as a site for its new corporate headquarters.

The fast-growing Hechinger chain has already outgrown its original Landover, Md., headquarters and was forced to move some of its management into temporary headquarters in Lanham, Md., this fall.

Work on the new corporate headquarters is scheduled to begin in the spring and be completed by the summer of 1989.

It will open on Rte. 202 and the Beltway, in the Central Ave. area on the east side of Prince George's county.

It will be constructed in two phases according to McCormick Properties. The first phase will be a 123,000-square-foot building and the second an 84,000-square-foot building. These will be linked together by an atrium corridor of silver reflective glass.

Otasco reps attend Coast show

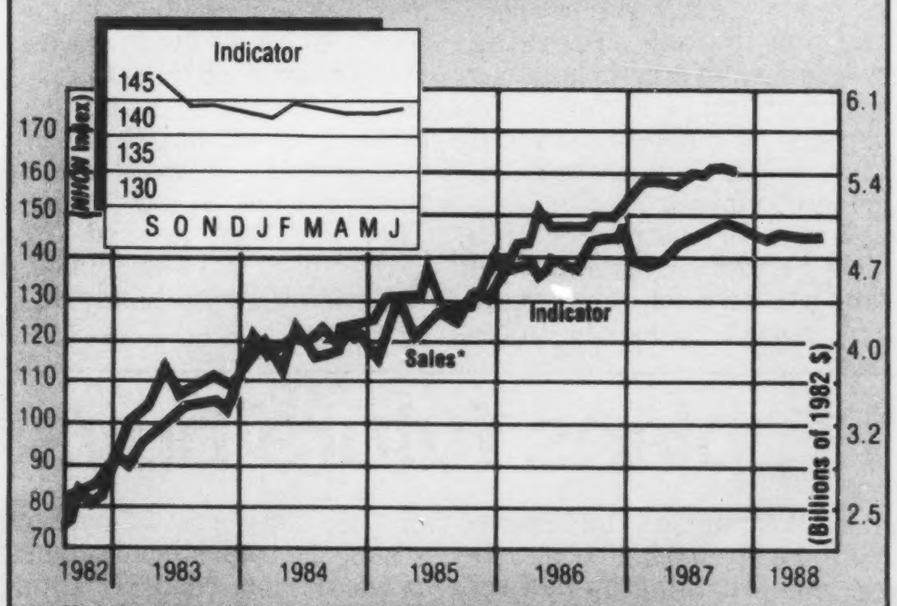
ANAHEIM, Calif. — Newly merged into the Coast to Coast distribution system, some 200 independent Otasco dealers were among the 4,000 participants at Denver-based CoastAmerica's convention held Jan. 6-8 at the Anaheim Convention Center.

CoastAmerica bought Rapid Distributing Co. from Otasco Inc. of Tulsa, Okla., on Jan. 5 (*NHCN*, Jan. 11). Rapid Distributing had distributed some 8,000 stockkeeping units including car parts and appliances to 250 Otasco dealers in 13 southern states.

CoastAmerica ceo Richard Bard said the 250 Otasco dealers will have the option of converting their names to Coast to Coast Hardware or Coast Home & Auto.

Participants included 250 vendors and 800 Coast to Coast dealers who kicked off the company's 60th anniversary year with a "Gala Celebration and Dinner" at nearby Disneyland.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales through the first half of 1988. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

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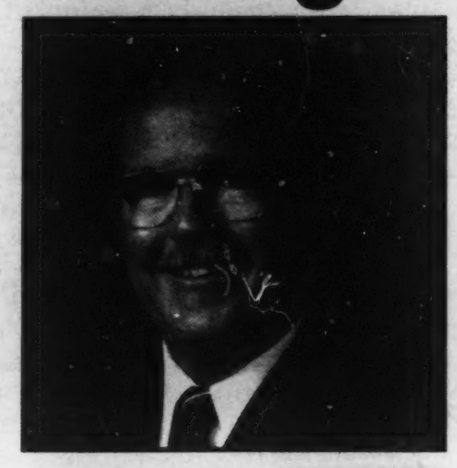
Available for calls 9-5:30 (E.S.T.)

William W. Adams is elected as new Armstrong chairman

By an NHCN staff editor

LANCASTER, Pa. — William W. Adams was elected chairman of the board, president and chief executive officer of Armstrong World Industries, effective March 1. Adams succeeds Joseph L. Jones, who will retire on that date but will remain a member of the Board of Directors.

Adams joined Armstrong in 1956 following his graduation from Iowa State University. After a series of management positions in advertising, marketing and as part of Armstrong's International Operations, he was elected group vice president for Building Products Operations. Adams has served as an executive vp and as a director of the company since early 1982.



William W. Adams was elected chairman of the board, president and ceo of Armstrong World Industries.

Adams' promotion was one of a number of management changes that took place recently at the floor, ceiling and furniture manufacturer based here.

George F. Johnston, vice president and chief planning officer, retired Jan. 1 after 40 years with the company. Johnston played a leading role in managing the company's acquisition activities and in its strategic planning.

In addition, Robert H. Caldwell, who currently serves as an executive vp, was elected senior executive vp and will act in the absence of the chief executive officer.

E. Allen Deaver, currently group vp for Armstrong's corporate technology and new business development division, and George A. Lorch, currently group vp for carpet operations, were elected executive vp and members of the board of directors.

Central unit will stir up St. Louis suburb

By Gary S. Ruderman

CAPE GIRARDEAU, Mo. — Charlie Haubold missed the ground breaking ceremony here for the newest Central Hardware unit here.

While Haubold is a member of the local Chamber of Commerce and was invited to the Jan. 5 affair, he's also president of the four-unit Riverside Home Center here. And the new Central is going be a lot of competition.

The Bridgeton, Mo., chain slated Cape Girardeau, Mo. (pop. 34,851, located about 100 miles south of St. Louis) for its 38th unit and 13th in the St. Louis metro area.

Central will begin construction of the 70,000-square-foot unit this year but will delay opening the unit until spring, 1989, said chain president James Cohen. The Central unit will anchor one side of a new shopping mall; the other major tenant will be a 45,000-square-foot food store.

The mall is just two blocks from the 35,000-square-foot Riverside Home Center. Haubold says Central's entrance in the small market will benefit his operation in the long run, making his operation more competitive and his employees more service oriented. Central's larger advertising budget will also draw shoppers to the city.

He said he's been expecting Central since he threw out several of its senior people caught price shopping at his unit last year. Although Central is larger, Haubold says Central will have to lower many of what he calls its "St. Louis" prices to meet those in the smaller community.

And Central will have plenty of competition, he explains, what with 11 consumer-oriented and three all-contractor lumberyards and home centers in the area.

"You can't get too much more competitive here," said Haubold. "Talking to vendors, we're either a trash market [because of its small size] or we're highly, competitive."

Central is also opening two units this March: one in Festus/Crystal City, Mo., and the second—its fifth unit—in Memphis, Tenn. Central, with estimated volume last year of $270 million, operates in Indiana, Missouri, Ohio and Tennessee.

Haubold told *NHCN* that his absence from Central's ground breaking had nothing to do with animosity towards a new competitor. It was 14 degrees below zero that day and that, the Missourian points out, "was too darned cold."

U.K.'s Wickes reopens first Builders Mate

By an NHCN staff editor

LONDON — This month, Wickes PLC was scheduled to open the first remodeled unit of the nine-store Builders Mate home improvement chain it acquired in September.

The addition of Builders Mate, which operates 15,000-square-foot stores with a narrow product mix, gives Wickes PLC an entry into the smaller towns of the U.K.

Wickes PLC, the home improvement chain which broke away from its parent company Wickes International in a management buyout last April, bought Builders Mate in a deal worth between £3.6 million ($6.48 million) and £6 million ($10.8 million), de-

(Continued on page 61)

New Furman DC allows for further growth in New England area

By an NHCN staff editor

PORTSMOUTH, N.H. — Furman Lumber, a national lumber wholesaler based in Boston, has opened a distribution center here.

Company officials said the facility was added expressely to serve its customers in the upper New England market.

"Opening the distribution center now will allow us not only to grow with the market, but also to serve our present customers better because we'll have a distribution center located right in their area," said Scott Greene, manager of the Portsmouth DC.

The product mix will include structural panels, gypsum, sheathing, particleboard, framing lumber, treated products and cedar shingles and siding.

Greene said the DC will concentrate on customers in northern Massachusetts, Maine, New Hampshire and Vermont, a region the company has long thought ripe for growth.

The Portsmouth DC brings to seven the number of facilities Furman Lumber operates nationally.

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Percentage of adults, by region, that completed home improvement projects in the last 12 months

(Activity Index**)

Project	Total of U.S. adults completing project in last 12 months	New England	Middle Atlantic	East Central	West Central	Southeast	Southwest	Pacific
Remodel interior rooms	8,354,000	9.0 (163.9)	20.4* (115.6)	18.8 (134.4)	17.8 (112.1)	16.9 (93.7)	7.4* (62.9)	9.7* (56.5)
Garage/attic/living space conversions	2,922,000	13.3 (240.5)	22.5* (127.8)	11.8 (84.7)	16.7* (105.4)	19.2* (106.3)	3.4* (28.5)	13.1* (76.5)
Add/extend a garage	1,358,000	1.0* (18.7)	20.9* (118.7)	12.1* (86.4)	16.2* (102.3)	20.2* (111.5)	9.9* (83.9)	19.7* (114.9)
Add exterior rooms	2,186,000	6.9* (124.3)	21.0* (119.4)	8.1* (58.2)	19.7* (124.2)	16.8* (93.0)	7.2* (61.4)	20.2* (117.7)
Bathroom remodeling	10,598,000	7.5* (135.0)	22.2 (126.0)	13.9 (99.6)	17.9 (112.8)	15.6 (86.1)	7.6* (64.5)	15.4 (89.4)
Kitchen remodeling	6,920,000	8.8* (158.6)	24.9 (141.4)	16.0 (114.1)	14.2 (89.9)	22.7 (125.2)	6.5* (55.3)	6.9* (40.4)
Add a bathroom	1,616,000	9.9* (179.3)	16.8* (95.5)	17.1* (122.2)	19.4* (122.7)	17.3* (95.8)	5.1* (43.1)	14.2* (82.9)
Add a deck/ porch/patio	6,714,000	5.9 (106.3)	19.7* (111.9)	18.5 (132.3)	15.3 (96.5)	17.3 (95.8)	9.8* (83.1)	13.5* (78.7)
Roofing	5,816,000	10.0* (181.9)	23.1 (131.1)	12.4* (88.8)	14.4* (90.7)	19.4 (107.0)	6.6* (55.8)	14.2* (82.5)

*Projected from 50 or fewer responses.

**The activity index represents a ratio of the percentage of the total U.S. adult population living in each region compared with the percentage of adults in each region that did a specific job. For example, adults in New England represent 5.5 percent of all U.S. adults. The number in this region that converted a basement, garage or attic to living space represents 13.3 percent of all U.S. adults who did this particular job. The second percentage divided by the first produces the "Activity Index" of 240.5, a relative measure of home improvement that can be compared with the index of 100 for the country as a whole and with respective indices for other parts of the country.

Source: *Rodale's Practical Homeowner*, U.S. Profile of DIY Consumers, MRI Fall 1987 Report

NHCN chart

Retailers might miss most active segment of market

By an NHCN staff editor

NATIONAL REPORT — Middle aged homeowners, those with household incomes above $50,000 and those living in New England showed the greatest propensity for adding or remodeling a room over the past 12 months, according to a newly published study.

For the second consecutive year, *NHCN* is publishing the results on home remodeling produced by *Rodale's Practical Homeowner Magazine*, based on interviews, conducted in two waves, with 20,134 U.S. adults during the months September 1986 through February 1987, and March through August 1987.

Projected to represent the 173,951,000 million adults living in this country, the study found that more than 46 million had completed some remodeling or room addition job in the 12 months prior to being interviewed. More than one fifth of these jobs were bath remodeling projects; another 15 percent remodeled their kitchens.

As was the case last year, the active remodeling homeowner, statistically, was between 35 and 64 years old, with an income between $25,000 and $49,999, residing in a suburban Middle Atlantic or Midwestern home worth between $50,000 and $99,999 for more than five years.

But when the study defines the active remodeling homeowner by a ratio it calls an "activity index" (*see explanation with chart*), a different kind of person emerges, one that home improvement retailers need pay closer attention to in order to increase project sales.

The study's demographic breakdowns of adults having completed the most projects numerically correspond with those having the highest activity index only intermittently. For instance, a projected 1.5 million-plus 18-to-34 year olds converted a garage, basement or attic to living quarters and the activity index of 131.4 for this group (with 100 being the national index base) was the highest for all ages tracked.

However, it oftentimes was the demographic group that figured relatively low, numerically, that more consistently registered a high activity index. Only around 800,000 New Englanders had remodeled a bathroom, compared to a projected 2.4 million Middle Atlantic adults and 1.9 million West Central state dwellers. But the activity index in New England of 135 was the highest for all regional groups.

Conversely, while those living in the Pacific states made a very strong showing numerically in a number of home remodeling projects, their activity indices were generally pretty weak. More than 4.2 million adults in Pacific states who have lived in their homes five years or more had remodeled "other rooms" over the past 12 months. However, the activity index for this group was only 88.9, well below even the national base number. Residents here had only a 76.5 index for garage conversions.

Dealers need to bear in mind that the willingness of their customers to perform remodeling and room addition jobs is not always reflected in the amount of business they are getting. Indeed, in the Pacific states, it appears that retailers could be missing a significant segment of the adult population that has not been sufficiently prompted to engage in these projects.

Consequently, the *Rodale* study brings to the fore the need for dealers to beef up their project selling promotional efforts in order to draw these reluctant homeowners into their stores.

The study contains a number of surprising findings. Adults who have lived in their homes for five years or more completed the most number of kitchen remodelings. But those who have lived in their house for one year or less had an activity index of 113.6, the highest among the home tenure breakdowns for this job. In addition, while suburban dwellers completed the greatest number of kitchen remodels, those living in rural areas had the higher activity index.

And when this job is disseminated by home value, the activity indices for those in houses worth more than $100,000 and those in homes valued at $50,000-$99,999 are very close, even though the latter group did nearly 65 percent more kitchen remodeling projects (4.2 million to 2.54 million).

In only two project categories—remodeling "other rooms" and adding or extending a garage—were the greatest number of jobs completed by those living in central city areas, with most of the activity occurring in suburban realms. In only one category—roofing—did those adults over 65 years old (with an index of 102.5) register anything near the national base. It was also in roofing, and remodeling other rooms, that those adults in homes worth less than $50,000 had either the highest or near-highest activity index for the home value breakdown.

And the index for homeowners with houses worth in excess of $150,000 showed up well for all but a few of the projects tracked.

Perhaps the most revealing findings, though, are in the *Rodale* study's section on regional activity. In last year's study, the activity index for New England was the hands down winner—in many cases by a wide margin—in most of the projects. However, this year's survey showed the staying power of the Middle Atlantic states, and a surprising strength in the Southeast. And, as mentioned above, for projects where they had numerically impressive totals the Pacific states, in all but two instances, had very poor activity indices.

In virtually every project, those Middle Atlantic dwellers were among the leaders in jobs completed compared to other areas of the country. Also showing marked home improvement activity were those living in the West Central states, particularly in bath remodeling, exterior additions, and porch/deck/patio construction.

In eight of the nine projects tracked, though, the activity index for adults living in New England was among the top three for all regions. The area's residents were particularly active in garage conversions, adding other rooms and in roofing.

As mentioned, Middle Atlantic-area residents were active in nearly every project.

Few retailers market to urban DIYers

By Gary S. Ruderman

NATIONAL REPORT — Tim Gross and a few hardy souls like him living in this nation's cities are literally working out in the cold.

Gross is a controller for an international chemical firm. He's been laboring weekends through Chicago's bone-chilling winter to add another story to his home on Chicago's trendy north side. Having been raised in a family whose members were tradesmen, Gross (a pseudonym, as he is doing the work without a city building permit and requested anonymity) has used his carpentry experience to circumvent a lot of the labor costs on the job he's doing.

He also said he was willing to "spend the time" picking over wood at a local retail-oriented lumberyard because of the low prices. However, Gross is an exception.

Dealers in nine major metro markets report that, except for Gross and a smattering of DIYers, the construction of room additions and major remodeling jobs in the inner cities of the United States are the strict province of the professional remodeler.

Calls to dealers in San Diego, Los Angeles, Seattle, Phoenix, Houston, Minneapolis-St. Paul, Chicago, Washington and New York found few home improvement retailers who are marketing directly to urban DIYers.

"I haven't seen any advertising aimed at the remodeler or rehabber," said Dick Wood, merchandise manager for O'Malley's, a 16-unit Phoenix-based chain, echoing a common response by most dealers about the marketing by their stores and the competition towards the urban remodeler-homeowner.

It's hard to get a handle on how much business dealers are relinquishing by shying from this market. The National Association of the Remodeling Industries (NARI), a trade association of 4,500 contractors, manufacturers, lending institutions and wholesalers, said room additions counted for $7.149 billion in sales last year, up from $6.384 billion in 1986. (NARI had no statistics on how much of this was generated from urban remodeling.)

With the recent rise in conversion of commercial buildings to living quarters, one would expect to find a ripe market among new owners retrofitting their dwellings in cities throughout the country. From coast to coast, dealers note that the No. 1 inner city room addition or renovation project was a family room attached to a kitchen area, a

(Continued on page 22)

PROJECT SELL: ROOM ADDITIONS AND REMODELING

Few retailers target urban additions and remodeling

(Continued from page 21)
potentially huge ticket sale.

The second most popular was a two-story addition with family room below and an enlarged master bedroom above. Inside, kitchen and bath renovations continue to be perennial favorites.

Time, experience are factors

But metro-area retailers, contractors and specialists such as architects and specialty suppliers said they were reluctant to target the urban DIYer for these reasons:

- Inner city DIYers are not seen as having the expertise to tackle major projects or the patience to hassle with complex municipal building codes.
- Inner city homeowners don't have the time to tackle room additions, though many do have the money to pay others to do the work.

Conversely, the poverty factor must also be assessed. Cathy Caklovic, store manager of Sunset Builders Supply in Los Angeles noted that many urban centers such as Los Angeles and Detroit are composed primarily of apartments and single family homes rented or owned by lower-income families more concerned with fix-up than expansion of living space;

- There is the potential for liability when dealing with weekend carpenters if retail employees misread "blueprints"—sometimes little more than rough scratchings drawn by homeowners—and send the wrong supplies.

For example, the nine-unit Dunn Lumber in Seattle won't estimate off any homeowner's plans because of potential liability, says president Edward Dunn Jr.

However, in Houston, where home building has deteriorated because of a weakened economy, the two-unit Olshan Lumber is willing to give estimates from plans drawn "on the back of paper bags," said the company's chairman Richard Lederman, although this is not a service Olshan advertises, understandably.

'Inside' projects favored

Minneapolis-St. Paul retailers don't target the urban remodeling contractor or the serious DIYer when it comes to room additions because, "Confidence isn't there when you have to add trusses or make roof line changes," said Mike Carver, executive vp and general manager of Knox Lumber, the 25-unit Payless Cashways subsidiary here.

Carver said urban homeowners were more interested in small, interior remodeling projects.

In New York City, there is still room for additions in enclaves like Staten Island, according to George Esposito,

ROOM ADDITIONS
(Including garages)

1986	$7.377 billion
1985	$3.966 billion
1984	$6.0 billion
1983	$4.7 billion
1982	$2.6 billion

Source: Census Bureau U.S. Dept. of Commerce; *NHCN* chart

an owner of Canal Lumber there.

"People are looking at the [increasing] property values and adding on where they can," said Esposito. It's a brisk business for Canal, which advertises merchandise aimed at room additions. But across the river, in Manhattan, there are few room additions, and projects are all "inside," said an another owner of Canal, Sol Esposito.

Urbanites prefer hiring out

In Chicago the family room addition built off an existing or expanded kitchen is the most popular project now underway, explains architect Carrie Jeffers. Yet rehab and room addition costs have soared in the last three years, now topping out at $65 per square foot, said Jeffers.

Nevertheless, because living in most cities is an expensive proposition anyway, many urban dwellers—particularly those professionals who are gravitating back into the cities—have adequate means to retain a contractor and architect to complete a remodeling project.

"The standard of living in the city permits people to say 'build it for me'," explains Richard Baumgarten, president of Lee Lumber, a large contractor yard in Chicago. The same sentiment was heard in Washington.

"People in this area are conscious of their careers and don't have the time to build room additions," says longtime remodeling contractor Frederick Case.

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PROJECT SELL:

Dealers strive to tame receivables

(Continued from page 45)
cies when it kept shipping goods to slow-paying contractors in the mid 1970s.

"Bad debts just about put us right under," recalled Randy Mahaffey, president of the company.

Big chunk of total assets

No wonder. Accounts receivable make up the second highest portion of total assets, after inventory, for retailers serving contractors. In a study of close to 600 such firms, performed by Dun & Bradstreet, the New York-based credit reporting agency, it was found that accounts receivable made up 24.4 percent of all assets at contractor-oriented yards.

The specter of a possible softening in the economic picture—a condition that has long been underway in some markets—has caused many retailers to take a new look at credit extension.

"I see retailers in general tightening their policies," said Fred Caruso, executive vp of the Mountain States Lumber and Building Material Dealers Association, Englewood, Colo.

Many of the 145 retailers belonging to the association have taken steps such as putting accounts on hold if payment checks have not been received when due, and obtaining complete applications.

Caruso is also advising his members to try to beat the billing cycle by dropping their statements in the mail by the 24th or the 25th of each month. That way the retailer receives it by the first of the next month, making delays less likely in getting the check out.

"We have had some attitudinal changes on the extension of credit," noted Richard Young, senior vp-administration at Strober Organization, a Brooklyn, N.Y.-based chain that did $92.4 million in sales in 1986.

"We are emphasizing that the store shouldn't be afraid to say no sometimes."

Strober is also focusing more than ever on getting all of the details on credit applications.

"The easiest thing to do is to get rushed into a sale on a good story," said Young.

Within the next 30 days, Ply-Marts expects to have a new facsimile machine that will help it communicate more rapidly and accurately with a credit association it uses to check out applicants.

The move by the retail chain is expected to help stem a delinquency problem that was brought under control at the chain during the past three years, but has shown signs of becoming more troublesome over the past four months.

"About 120 days ago things tightened up in our area," said Mahaffey. New home inventories were high and contractors got into cash flow problems.

As a result, bad debts rose to 0.75 percent in recent months, compared with 0.5 percent for the past several years.

"We have tightened up a little bit, with credit lines beginning to be enforced," said Mahaffey. "Without such steps, the bad debts would be a lot higher."

New policies bring results

As has Ply-Marts, other retailers generally have been encouraged by the favorable results achieved from a concentrated effort to improve credit policies.

At Babcock Building Supply, Melbourne, Fla., bad debts are running only one-tenth of what they were three years ago, according to Robert Menzel, credit manager.

This has come about through a tightening of the credit granting procedure. That means not only following up bank references for new applications, but also putting a stop to merchandise shipments for delinquent accounts.

"You do not extend credit for any length of time, unless you find out why you are not getting paid," cautioned Menzel. "Don't keep shipping merchandise."

Tighter credit policies have also resulted in improved performance at Alpine Lumber, a chain of 5 stores based in Littleton, Colo. Within the last 12 months, bad debts as a percent of credit sales have fallen to less than 0.25 percent, down from less than 0.5 percent previously.

Fran Lowe, credit manager at the chain, said one technique introduced over the past year has been to send invoices out on a daily basis rather than waiting until the end of the month. This has helped accelerate cash flow, and helps reduce delinquencies since contractors have an immediate record of what they owe.

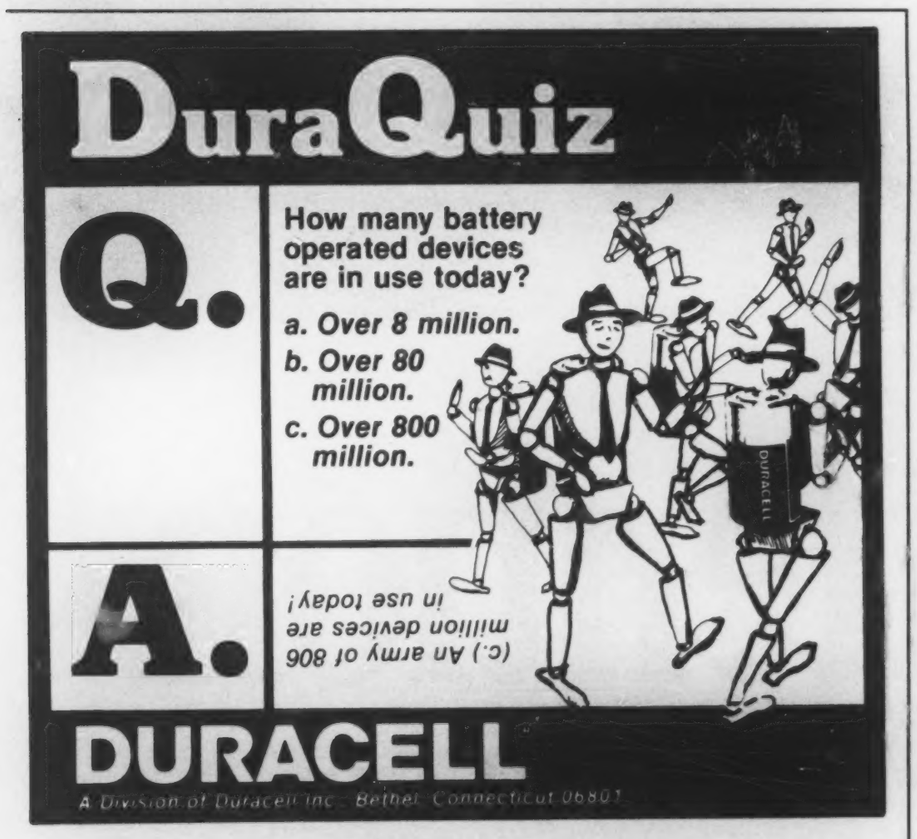
'Net-10-10' is most popular of all terms

By an NHCN staff editor

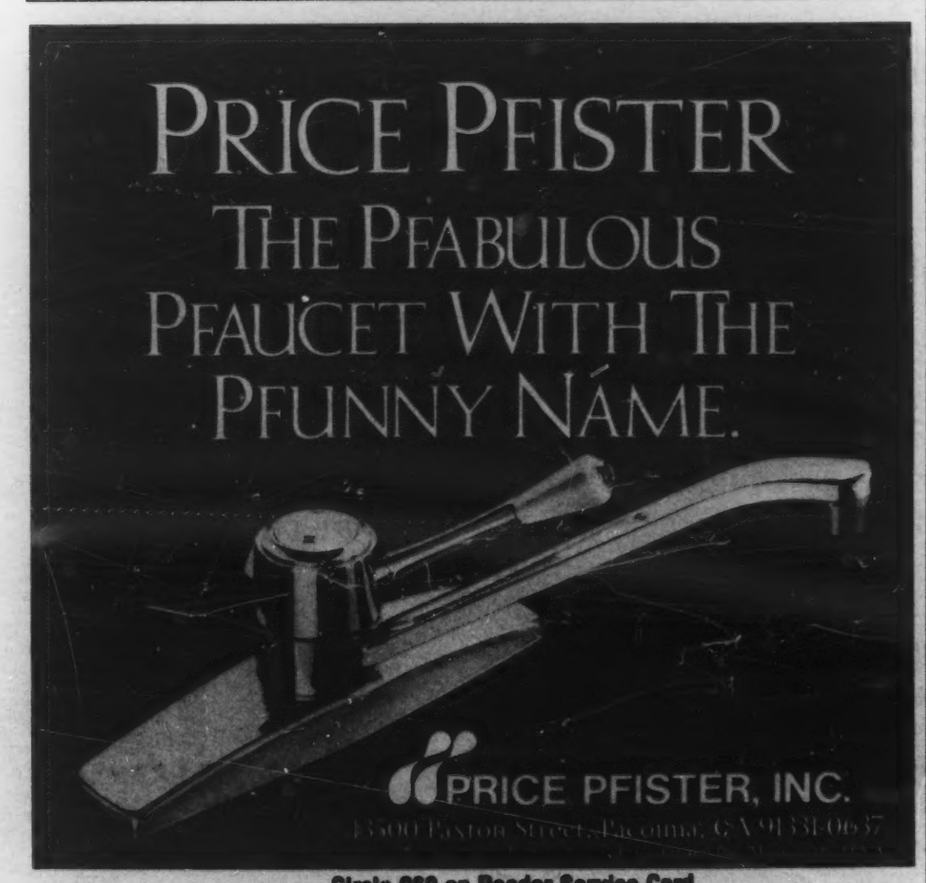
NATIONAL REPORT — Of all terms offered by building material retailers, "net-10-10" is by far the most popular. That's the conclusion of a survey undertaken in October by the Mountain States Lumber and Building Material Dealers Association, Englewood, Colo.

Retailers offering the most popular terms mail

(Continued on page 49)


DuraQuiz
Q.
How many battery operated devices are in use today?
a. Over 8 million.
b. Over 80 million.
c. Over 800 million.
A.
(c.) An army of 806 million devices are in use today!
DURACELL
A Division of Duracell Inc. Bethel, Connecticut 06801

Circle 059 on Reader Service Card



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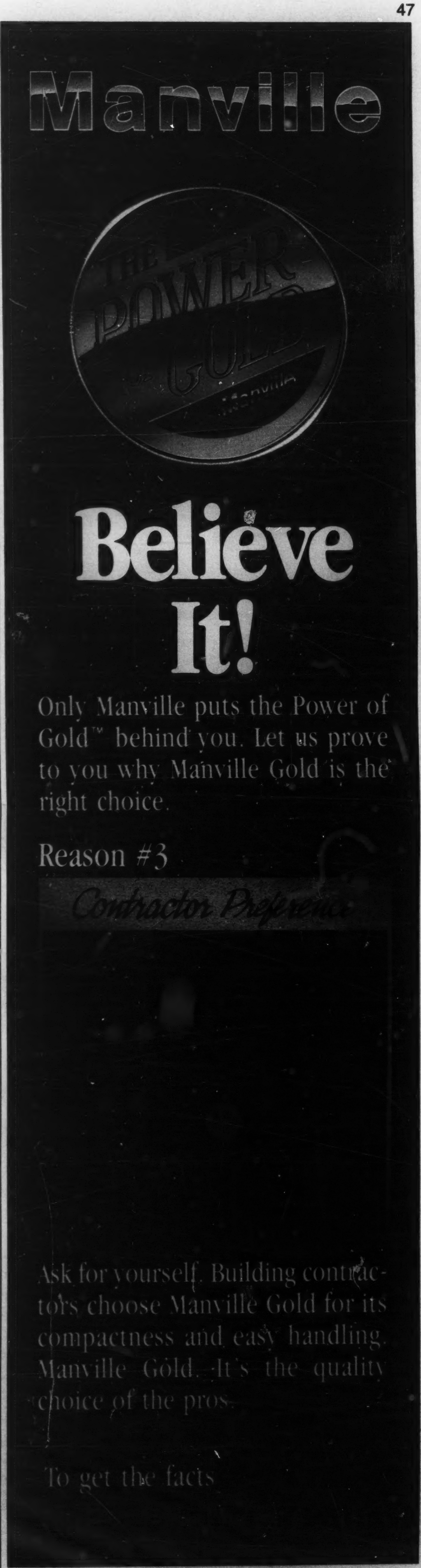
Manville
Believe It!
Only Manville puts the Power of Gold™ behind you. Let us prove to you why Manville Gold is the right choice.
Reason #3
Contractor Preference
Ask for yourself. Building contractors choose Manville Gold for its compactness and easy handling. Manville Gold. It's the quality choice of the pros.
To get the facts

Circle 058 on Reader Service Card

PROJECT SELL:

Imaginative room uses become commonplace

By Suzanne Floyd

NATIONAL REPORT — While the days of converting garages to family rooms and attics to bedrooms are far from over, certain remodeling projects once considered out of the ordinary are becoming commonplace.

Retailers report that exercise rooms, sunrooms, atriums, glass walled-areas and other creative renovations with windows are on the increase.

Truitt and White Lumber, a Berkeley, Calif., independent, has catered to a wide range of consumer tastes from a professional ballet dancer and instructor who wanted a ballet room complete with an acrylic barre accented with neon, to fairly elaborate exercise rooms, to sun rooms with hot tubs to extensively equipped home offices.

Luxury, of course, is not without its price. The cost of the customized ballet room, a designated 18x24-foot room in a new house, was approximately $40,000.

"We are able to supply almost everything," said salesperson Ed Young. "We have access to the majority of the items." He acknowledged that most materials must be special ordered. "It's literally impossible to stock and to second guess what people want. We're used to the industry not keeping up with the designers."

He added that special ordering does not significantly affect construction costs in that suppliers do not expect quantity orders of toilets or sinks for example. The only area where increased costs might result would be with small specialty hardware items which are packaged in multiples.

According to Young, hot tubs and sunrooms are practically commonplace in the market, and an increasing number of homeowners have added exercise and aerobics rooms to homes. Exercise equipment, however, "is one of the few areas we're not yet into."

West Building Materials,

(Continued on page 50)

Common Retail Credit Terms

Terms	% of Respondents Offering
Net 10/10	51.15%
2% 10/net 30	12.20
Net 30	11.45
2% 10/net 11	9.90
1% 10/net 11	1.52
1% 10/net 30	1.25
Other	6.00
No answer	6.47

Source: Mountain States Lumber and Building Material Dealers Association. *NHCN chart*

'Net 10/10' was the most popular term offered by retailers responding to a recent survey.

Retailers agree 'net-10-10' is best of terms

(Continued from page 47)

their invoices toward the end of the month during which purchases have been made. Payment is due by the 10th of the following month.

Of 135 retailers participating in the survey, 51 percent offered credit on a "net-10-10" basis.

"Two percent 10, net 30" was offered by 12 percent of the companies, while "net 30" was offered by 11.5 percent. "Two percent 10, net 11" was offered by 9.9 percent.

The offering of discounts seems to have fallen out of favor with dealers.

"The whole idea of discounts became popular in the late 1970s and early 1980s when interest rates were high," said Fred Caruso, exec-

Of 135 retailers...51 percent offered credit on a "net-10-10" basis.

utive vp of the association. "Now, it makes no sense."

Alpine Lumber, a chain of five stores based in Littleton, Colo., has long offered "2 percent, net 11" to some of its large volume customers. "We have been reviewing whether it's worth offering," said Fran Lowe, credit manager for the chain.

Ply-Marts, a chain of three stores based in Norcross, Ga., recently changed its terms from "2 percent 10, net 11" to "1 percent 10, net 11."

"We were the only major yard around here to offer 1 percent," said Randy Mahaffey, president of the firm. "Most offer 2 percent."

Some complaints about the change were received. But less than a dozen of its nearly 800 active accounts complained, and Mahaffey said there was no way of telling if actual business had been lost.

While 11.5 percent of the companies responding to the survey offered terms of "net 30," Caruso characterized the policy as "extremely dangerous." The problem is that it allows an account to age for little reason, and it may lead to bad debts.

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The best flapper your customers can buy is now even easier to sell. Call or write Fluidmaster today and learn how you can wrap up a bigger share of toilet repairs with our Flusher Fixer Kit.

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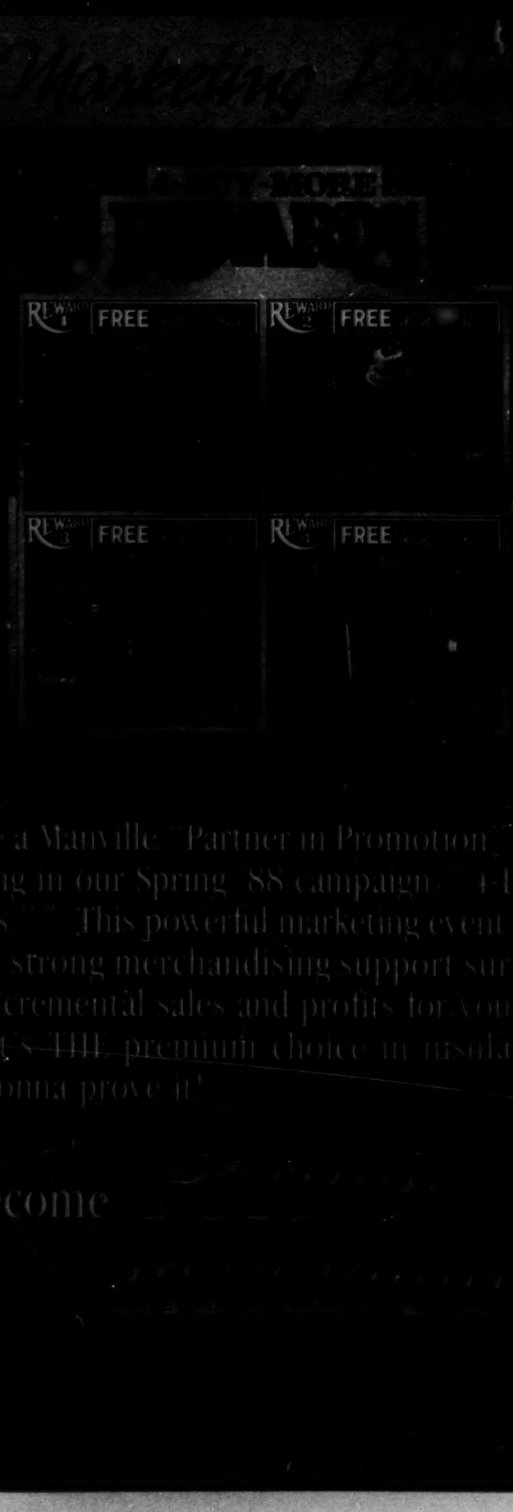
Only Manville puts the Power of Gold™ behind you. Let us prove to you why Manville Gold is the right choice.

Reason #4



Become a Manville "Partner in Promotion"™ by participating in our Spring '88 campaign. "4-Buy-More Rewards"™. This powerful marketing event is geared up with strong merchandising support sure to generate incremental sales and profits for you. Get the Gold. It's THE premium choice in insulation and we're gonna prove it.

To become

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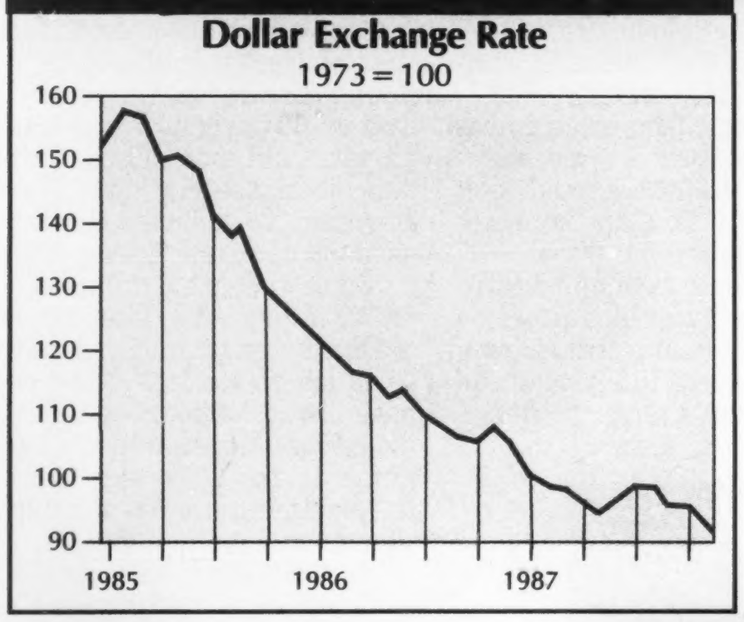
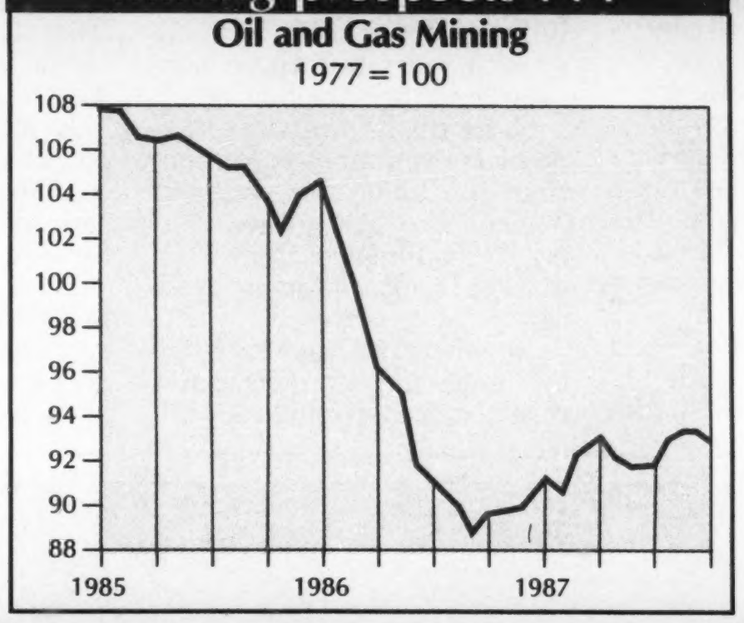
Business Watch

Section 4

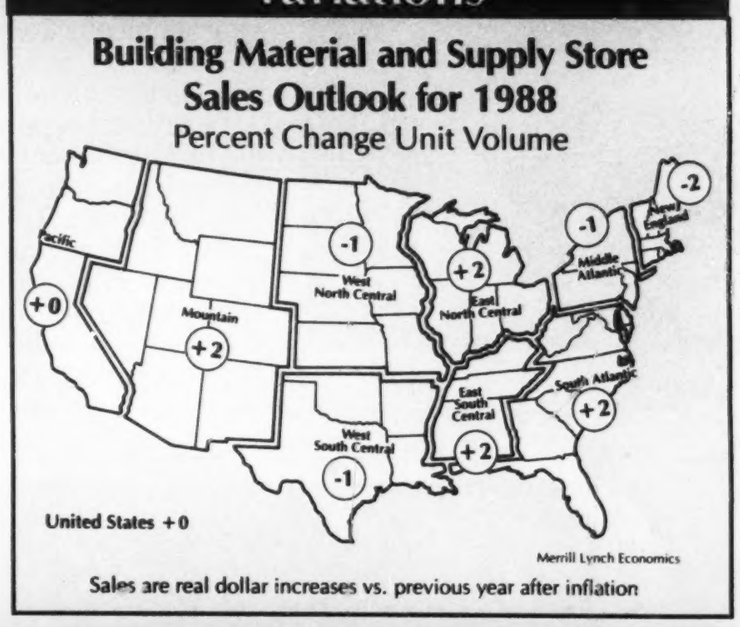
The decline in the dollar . . .



. . . and improved mining prospects . . .



. . . narrows regional variations



Sales are real dollar increases vs. previous year after inflation

Shifting economy will alter regional sales trends in '88

By Richard E. Mount
Special to NHCN

Behind the 5 percent growth in building materials that we expect for 1988, unchanged in unit volume, inter-regional variations will narrow.

The economy is shifting in 1988, reversing many of the regional trends that existed during 1986 and 1987 that made some areas prosper while others faltered. Regional sales growth in 1987 ranged from a high of 14 percent in New England to 3 percent in the West South Central states; in 1988 the strongest region should be up 6 percent, the weakest 2 percent.

Richard E. Mount

For the East North Central, East South Central and Mountain states, the 42 percent decline in the dollar since February 1985 will revive manufacturing and mining, as domestic producers become more competitive at home and abroad. Higher industrial production will encourage capital spending.

The agricultural sector has stabilized as government funding keeps farm income up. For the West North Central states, sales gains should be slightly below the national average.

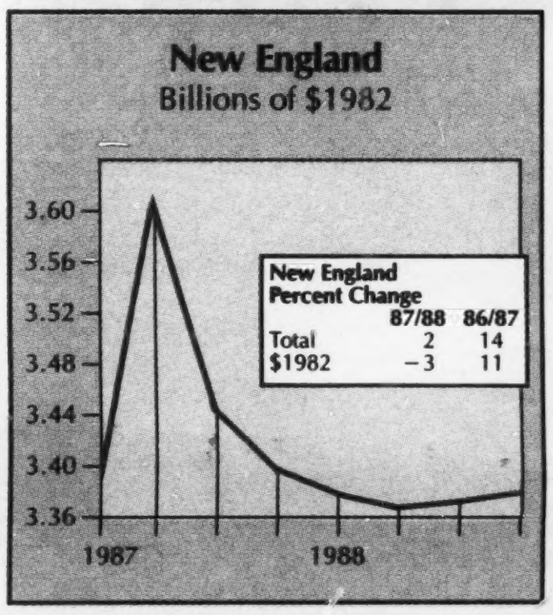
Crude oil prices are fluctuating at about $18 per barrel, a likely base through the end of the year. With domestic drilling costs down, oil and gas mining will rise moderately in the West South Central, Mountain, South Atlantic and Pacific states.

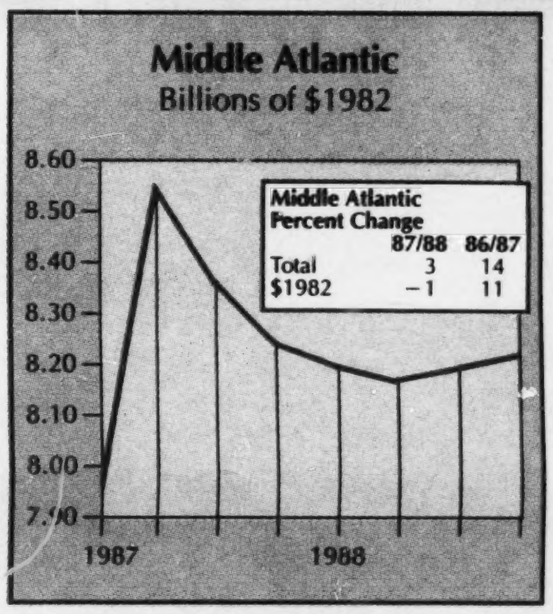
The fall in the stock market continues to spread through finance and business services employment. New England, Middle Atlantic and California will be harmed.

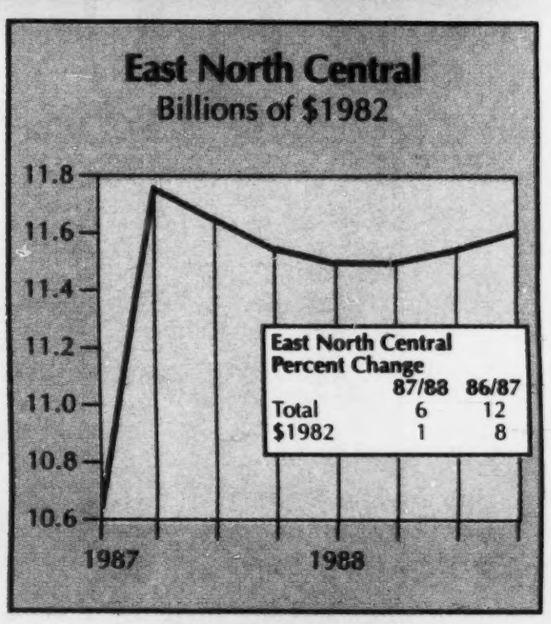
Variations among regions will narrow in 1988 as the economy shifts from strength in finance, auto and defense to industrial production, capital spending, mining and energy. For building material retailers, 1988 is shaping up as the most homogeneous year in a long time.

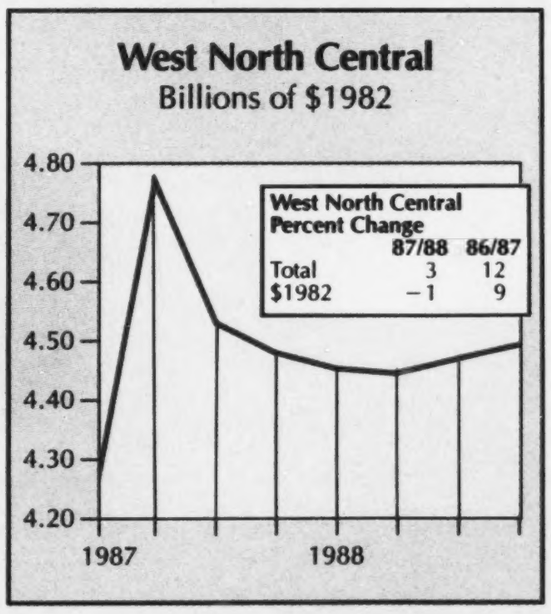
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

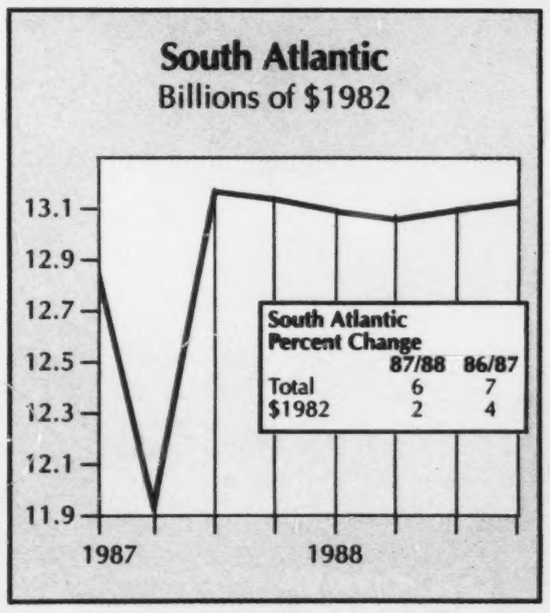
Regional Outlook: Building Material Sales

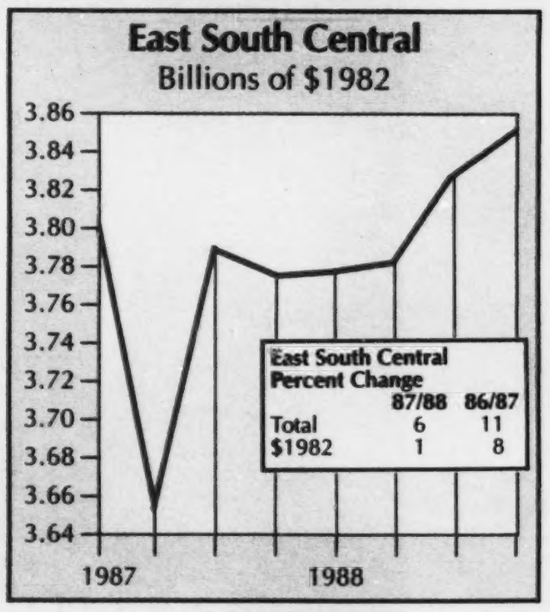


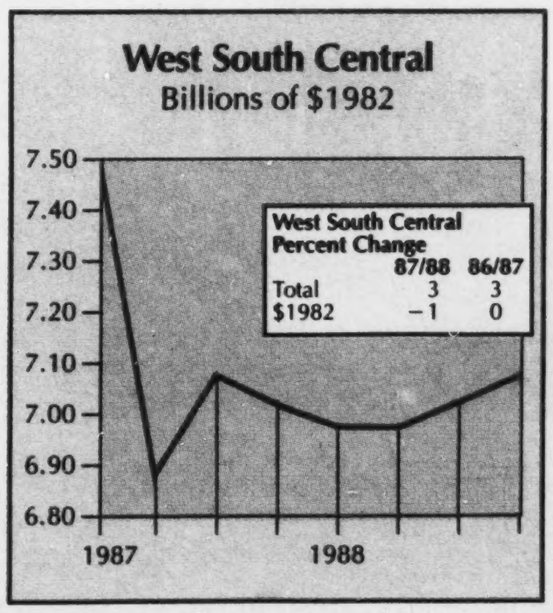


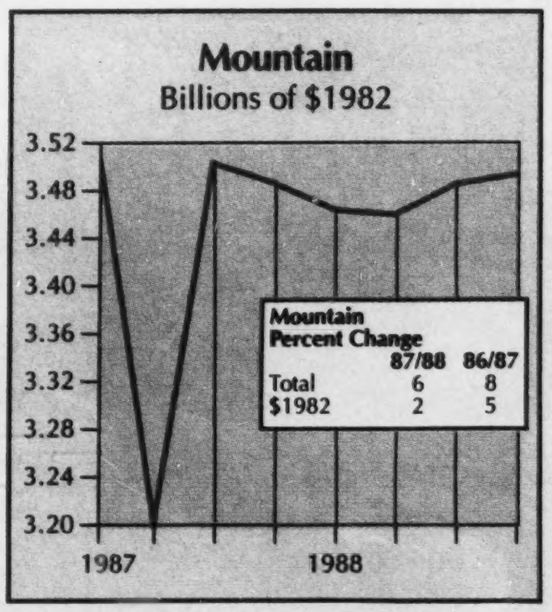


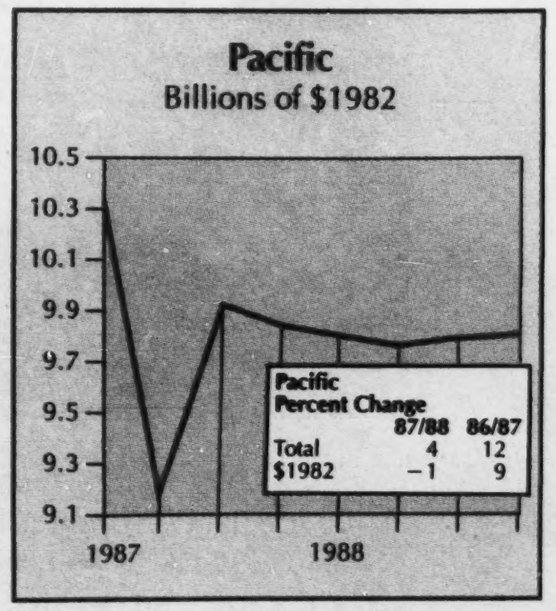












Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

housing

Study shows DIY industry is nearly recession proof

Ariane Sains
NHCN Associate Editor

Even it if ain't broke, some people gotta fix it.

That's the theory behind one analyst's prediction that remodeling—especially do-it-yourself projects—will continue to be strong this year, despite economic uncertainty.

In a recent report, Bo Cheadle of Montgomery Securities in San Francisco, makes a case for the "nearly recession proof" DIY segment of building materials retailing, based on a 16-year survey.

He argues that between 1970 and 1986, DIY had only one year of nongrowth, despite the 1978-1982 recession that crushed housing starts and home resales.

Overall home improvement —which includes work done professionally—was also fairly recession proof, with 13 growth years and three nongrowth in the same period.

"The do-it-yourself segment is even more consistent than the home improvement market and also grows faster," Cheadle says. "The DIY market is not volatile or cyclical."

Between 1970 and 1986, total home improvement sales rose nearly four-fold to $84 billion, with steady growth. Based on constant 1969 dollars, growth was steady to $25.4 billion in 1986 from $15.1 billion in 1970. Of that, $48.3 billion was in DIY sales, up from $6.4 billion in 1970 ($14.7 billion and $5.5 billion in constant dollars, respectively.)

In other words, says Cheadle, unless there's a severe recession, retailers should look toward both DIY and contractor remodeling for sales.

If, as some economists are predicting, interest rates rise again and housing starts drop, people are less likely to trade up to bigger, fancier homes.

Instead, says Cheadle: "We believe that when people stay in their existing homes, they fix them up to reflect their own tastes as well as 'cuz it's broke.' "

Coupled with that is the fact that of the 80 million single-family homes in the United States, 60 percent are at least 15 years old, according to the American Association of Nurserymen. (AAN used the data as part of a marketing campaign to encourage homeowners to improve landscaping.)

Dealers, who may not have as much statistical evidence, have always supported the remodeling-recession proof argument. In 1988, say some, the argument may be stronger than ever.

"In California, they used to say they were waiting for the seventh wave. That's the wave in surfing that kind of changes everything. Well, I think remodeling is our seventh wave," says Wayne Nalls, vp-advertising and sales promotion for Diamond Lumber.

1970-1986

	No. of good years	No. of bad years
Housing Starts	8	8
Housing Turnover	11	5
Home Improvement	13	3
Do-It-Yourself	15	1

Source: Montgomery Securities
NHCN chart

So convinced is the the 63-unit, Carrollton, Texas-based chain of this that it will triple its remodeler advertising budget this year.

The National Association of the Remodeling Industry predicts that professional remodeling will grow 14 percent annually through the 1980s. Between 1983 and 1987, the industry grew an average 13 percent, according to NARI figures. Sales will reach more than $90 billion by 1990, the organization estimates.

Of that, 26.3 percent—the largest single chunk—will be won by firms with annual volumes of $1 million or more.

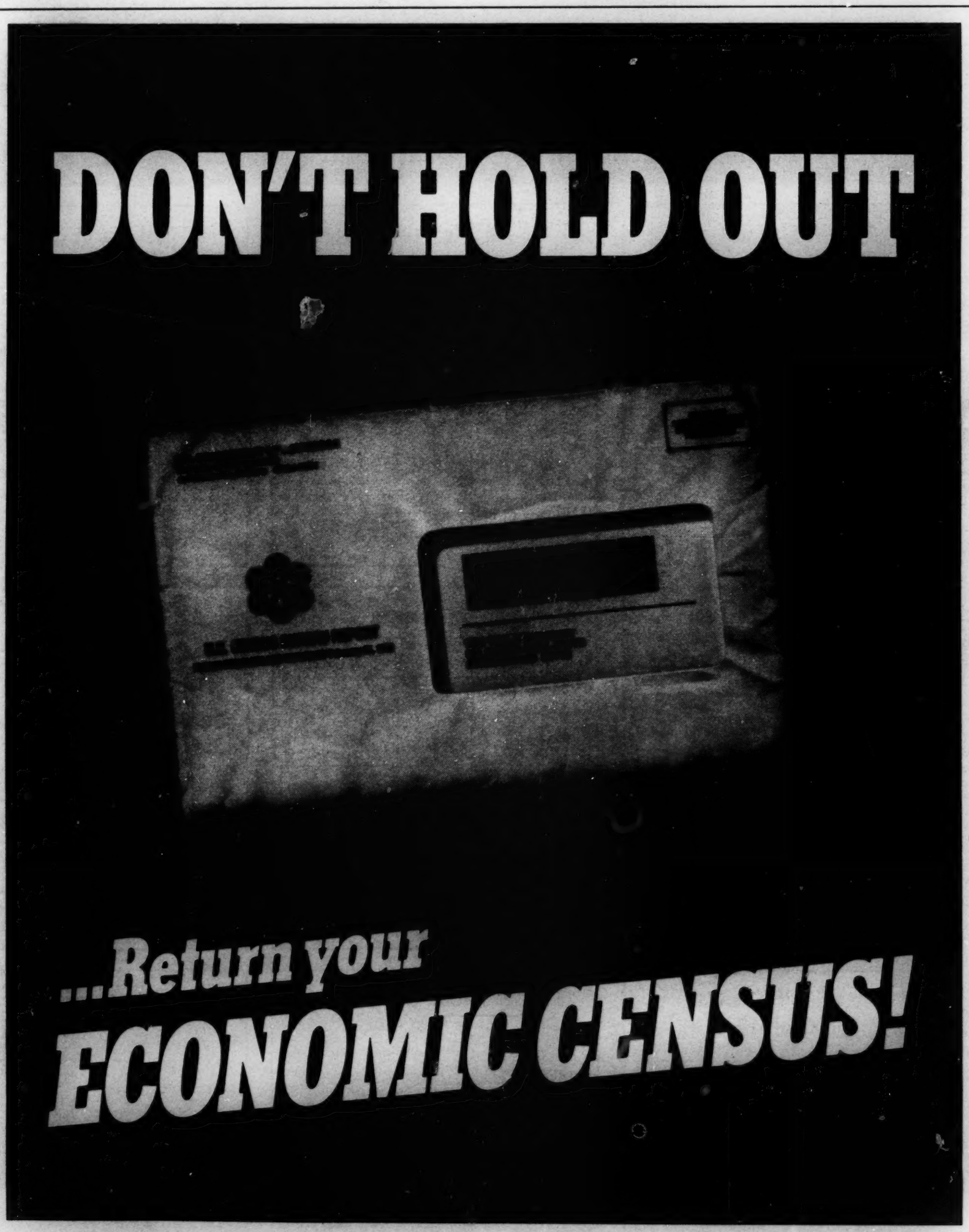
Vicky Garrett of the U.S. Commerce Department says other factors have also contributed to a strong remodeling market.

She cites the Historic Preservation Act, which provides tax incentives to people who remodel historic buildings as one such change.

Another is the nationally high vacancy rate in rental properties. To try and lure renters, Garrett says owners have repaired and remodeled some of those empty apartments.

There are regional differences, too. The Northeast, for instance, has the bulk of the older homes in the country, and the region ranked second on repair and remodeling nationally with $14.2 billion in expenditures. The South came in first with $19.1 billion.

—Ariane Sains



This country can't afford any holdouts when it comes to the Economic Census. Although the February 15th due date has come and gone, you're still legally required to file your Census form—as soon as possible.

We know you're busy. So this year we've simplified the forms, and brought in some help. If you have received a form and have any questions, just call **1-800-233-6136.**

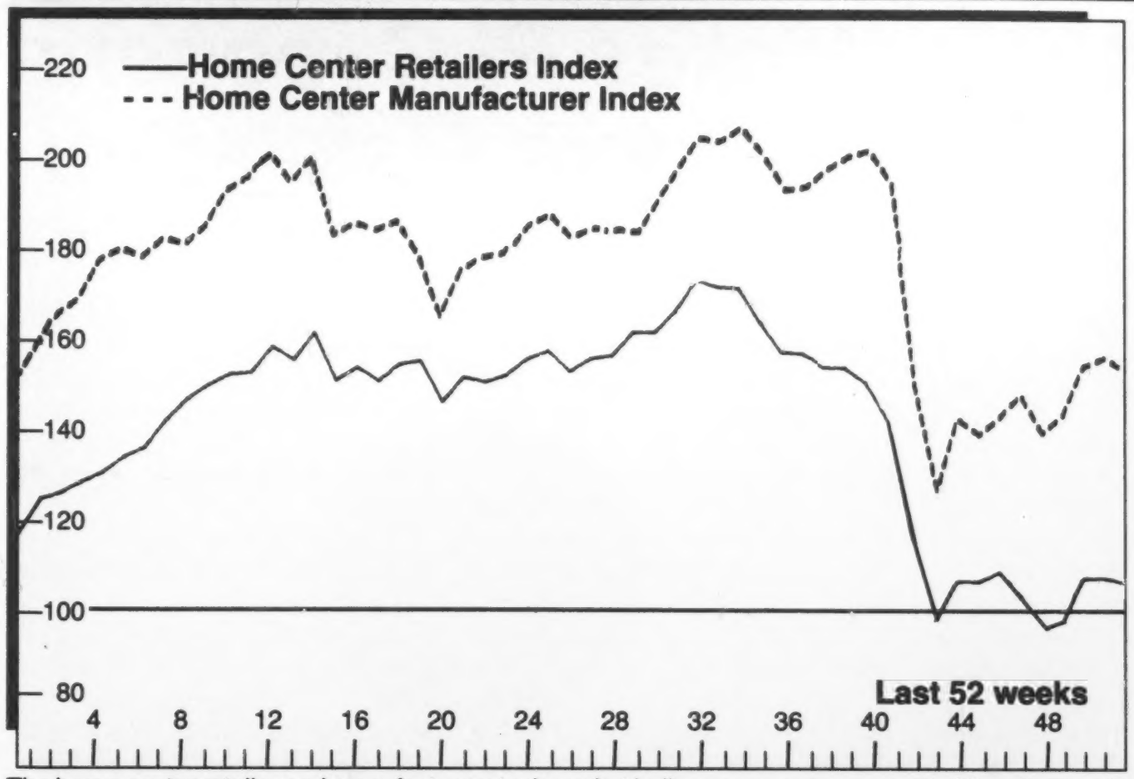
The information in the Economic Census is vital to the country. And if you know how to use it, it can be important to the growth of your business. Don't hold out any longer. Fill out your Census form today.

U.S. Bureau of the Census

Ad Council

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on January 8, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

More than half of stocks down

There were more losers than winners among home centers stocks for the two-week period that ended Jan. 8. Of the 58 stocks tracked for *NHCN* by Media General, 33 decreased in price, 21 increased and four remained unchanged.

Among retailers, General Building Products of Medford, N.Y., dropped 5 percent, to close at $4.75. K mart lost 4.9 percent, closing at $29.25. Sears Roebuck dropped 6.5 percent, to close at $32.25. Wickes Cos., after gaining almost 32 percent in the preceding two-week period, took a small loss of 3.6 percent to close at $10. Standard Brands Paint dropped 4.8 to close at $15. Scotty's was down 4.7 percent, closing at $12.75. Hechinger and Lowe's showed minimal changes.

But Brooklyn, N.Y.-based Strober Organization jumped 10.7 percent to close at $7.75. Interco, the St. Louis-based conglomerate that owns Central Hardware was also up, 8.1 percent to close at $35. And National Hardgoods Distributors closed at $4.75, up 18.8.

Among wholesalers, Hughes Supply, which had the best record for the preceding two weeks, dropped 5.2 to close at $24.88. Stanline had the best performance, closing at $10.25, a 2.5 percent increase.

Manufacturers—notably forest products companies—took some hard hits. Union Camp, based in Wayne, N.J., closed at $32.35, down 14.6 percent. Macmillan Bloedel, in British Columbia, dropped 11.1 to close at $16. And Weyerhaeuser, based in Tacoma, Wash., lost 9.2 percent to close at $35.75.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	2-Weeks Ended 1-08-88	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	4.75	- .25	- 5.0	5.50	4.25	12.50	4.00	883	2.21	1.19	85.7	6.7	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc ..... M	6.38	.13	2.0	6.75	5.88	11.25	4.13	13,117	5.02	2.24	124.1	19.9	.00	.0	.....	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A ..... M	19.00	- .25	- 1.3	19.50	18.75	26.50	14.25	3,264	2.99	3.14	- 4.8	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	19.25	- .50	- 2.5	20.00	18.75	26.75	15.50	516	.32	.31	3.2	16.5	.06	.3	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	39.1
Home Depot ..... N	19.00	- .63	- 3.2	20.13	18.38	28.09	12.00	9,171	1.87	1.90	- 1.6	19.2	.08	.4	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc ..... N	35.00	2.63	8.1	36.50	31.50	54.00	29.50	8,939	2.25	1.34	67.9	10.1	1.60	4.6	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp ..... N	29.25	- 1.50	- 4.9	33.13	29.00	48.38	21.63	51,220	2.54	1.81	40.3	8.8	1.16	4.0	.....	9 mos.	10-87	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos ..... N	17.50	.25	1.4	18.38	16.13	32.75	15.25	11,310	2.85	1.50	90.0	11.1	.44	2.5	.....	9 mos.	10-87	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Natl Hardgoods ..... M	4.75	.75	18.8	5.13	3.75	10.00	3.75	548	4.04	1.54	162.3	7.2	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber ..... M	3.25	.25	8.3	3.75	2.75	7.50	2.75	1,203	2.13	.67	217.9	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak ..... N	12.00	- .13	- 1.0	13.00	11.75	21.50	11.38	1,402	1.40	.76	84.2	11.2	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash ..... N	11.75	- .13	- 1.1	12.50	11.25	26.88	9.63	6,958	2.01	1.68	19.6	9.8	.16	1.4	.....	9 mos.	08-87	488.9	16.7	11.1	- 17.2	.32	- 17.9	1310.8	16.8	30.8	- 1.9	.89	- 2.2
Scotty's Inc ..... N	12.75	- .63	- 4.7	13.75	12.50	15.88	10.00	1,074	.74	.93	- 20.4	16.8	.52	4.1	.....	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck ..... N	32.25	- 2.25	- 6.5	36.25	32.25	59.50	26.00	67,334	1.78	1.20	48.3	7.5	2.00	6.2	.....	9 mos.	09-87	12193.2	9.1	409.0	24.7	1.08	22.7	34391.2	9.8	1087.3	34.5	2.86	31.8
Std Brd Pnt ..... N	15.00	- .75	- 4.8	16.38	14.75	31.88	14.75	1,784	1.58	3.22	- 50.9	10.9	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	7.75	.75	10.7	7.75	6.75	15.25	6.50	853	1.40	.74	89.2	8.2	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos ..... N	10.00	- .38	- 3.6	12.13	9.38	25.00	7.25	44,496	9.30	3.76	147.3	4.0	.00	.0	.....	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber ..... M	11.13	.75	7.2	12.38	10.38	18.75	8.75	1,414	2.41	1.30	85.4	8.2	.24	2.2	.....	9 mos.	09-87	86.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp ..... N	15.50	.38	2.5	17.63	13.88	37.00	13.50	40,898	7.21	3.91	84.4	5.6	.40	2.6	.....	9 mos.	10-87	1601.7	21.7	21.2	- 7.4	.37	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																													
Hughes Supply ..... N	24.88	- 1.38	- 5.2	26.50	24.75	30.25	19.75	631	1.90	1.41	34.8	9.9	.40	1.6	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley ..... M	4.50	.00	.0	4.50	4.00	9.75	3.88	133	.53	1.17	- 54.7	17.3	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.63	- .13	- 1.9	6.75	6.50	9.88	5.75	1,594	3.96	2.07	91.3	17.4	.28	4.2	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc ..... M	10.25	.25	2.5	10.25	9.50	13.31	6.19	253	1.42	1.29	10.1	9.7	.31b	3.0	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.28	18.7	47.0	7.3	1.4	27.3	.76	31.0
Manufacturers																													
Am Consum Prods ..... M	11.00	1.00	10.0	11.00	10.00	14.25	7.88	190	.91	.40	127.5	18.0	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.82	12.7
Am Standard ..... N	37.75	- .13	- .3	39.50	36.50	55.00	30.50	9,597	3.00	1.50	100.0	9.8	1.80	4.8	.....	9 mos.	09-87	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark ..... M	10.00	.25	2.6	10.00	9.13	17.13	6.50	580	.84	.88	23.5	10.9	.00	.0	.....	6 mos.	10-87	34.3	7.5	2.4	4.3	.35	6.1	66.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld ..... N	30.13	- .38	- 1.2	34.25	30.00	47.38	22.50	12,138	2.56	1.98	29.3	9.7	.90	3.0	.....	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	28.0	1760.0	23.6	116.9	28.7	2.46	28.8
Black & Decker ..... N	18.00	- .75	- 4.0	20.00	18.00	26.50	13.00	17,188	2.95	1.83	61.2	13.9	.40	2.2	NEW	fiscal	09-87	502.1	14.7	15.0	581.8	.26	766.7	1934.8	8.0	55.6	102.2	.95	93.9
Boise Cascade ..... N	62.75	- 8.38	- 11.8	71.38	62.75	86.88	48.00	5,009	1.78	2.70	- 34.1	12.0	2.00	3.2	.....	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed ..... N	27.50	2.13	8.4	27.75	25.00	45.75	24.13	1,823	.96	.74	29.7	8.8	1.00	3.6	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl ..... N	32.00	- 3.25	- 9.2	36.88	32.00	44.63	21.75	29,482	3.10	2.54	22.0	8.3	.80	2.5	.....	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl ..... M	7.75	.50	6.9	8.25	7.00	18.25	5.00	460	.90	.97	- 7.2	14.1	.00	.0	.....	fiscal	09-87	28.2	97.2	1.2	140.0	.25	92.3	82.0	43.9	2.7	42.1	.55	7.8
Cooper Indus ..... N	52.13	- 4.13	- 7.3	57.75	52.13	74.50	39.00	13,211	2.64	1.65	60.0	15.7	1.68	3.2	.....	9 mos.	09-87	861.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc ..... N	24.38	1.50	6.6	25.13	22.13	43.75	21.00	2,399	6.04	2.28	164.9	8.6	1.40	5.7	.....	9 mos.	09-87	99.2	- 7.9	1.9	NE	.47	NE	308.2	- 8.3	10.9	211.4	2.74	275.3
Ewhart Corp ..... N	20.63	- .13	- .6	21.25	18.75	26.63	15.50	8,206	1.31	.99	32.3	13.4	.80	3.9	.....	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1788.9	18.5	80.1	NE	1.26	NE
Georgia Pacific ..... N	33.63	- 2.75	- 7.6	37.63	33.63	52.75	22.75	34,359	3.16	2.09	51.2	8.6	1.20	3.6	.....	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	8374.0	17.1	346.0	82.4	3.16	82.9
Insilco Corp ..... N	16.63	.63	3.9	16.88	15.25	28.13	14.00	4,659	2.23	1.39	60.4	9.7	1.00	6.0	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific ..... N	28.13	.50	1.8	29.25	25.63	39.75	21.50	10,429	2.72	1.54	76.6	9.5	.80b	2.8	.....	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel ..... M	16.00	- 2.00	- 11.1	17.88	16.00	23.50	11.16	13,820	1.36	.80	70.0	NA	1.10	NA	.....	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp ..... N	2.50	.00	.0	2.63	2.25	5.38	1.88	11,861	4.94	2.02	144.6	.5	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp ..... N	23.00	.25	1.1	26.13	21.50	40.88	18.75	25,650	1.94	1.31	48.1	12.6	.40	1.7	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds ..... M	6.25	.00	.0	6.25	5.50	14.38	5.50	189	.76	.53	43.4	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co ..... N	28.25	.00	.0	30.00	27.63	43.00	21.13	1,171	1.02	1.02	.0	11.6	.84	3.0	NEW	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Norlek Inc ..... N	7.75	.13	1.6	8.38	7.00	17.38	5.00	4,643	2.95	2.43	21.4	12.9	.10	1.3	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	15.88	- .75	- 4.5	18.75	15.50	32.38	9.00	17,243	4.60	3.63	26.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	10.50	- .38	- 3.4	11.38	10.38	18.13	9.00	1,816	1.63	1.51	7.9	9.5	.12	1.1	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	28.4
Pope & Talbot ..... N	17.50	- 1.63	- 8.5	20.38	17.38	27.25	9.75	5,944	4.95	2.71	82.7	7.2	.44	2.5	.....	9 mos.	09-87	113.5	45.3	7.0	62.8	.59	63.9	320.1	40.2	20.9	182.4	1.74	180.6
Potlatch Cp ..... N	26.50	- 2.25	- 7.8	30.50	26.50	41.88	21.00	3,371	1.26	.81	55.6	9.0	.92	3.5	.....	9 mos.	09-87	246.9	- 1.2	22.6	35.3	.80	35.6	738.4	.9	62.7	25.9	2.23	26.0
PPG Inds ..... N	32.75	- 2.00	- 5.8	37.25	32.75	53.50	27.50	21,606	1.81	1.36	33.1	11.1	1.20	3.7	.....	9 mos.	09-87	1260.5	10.5	91.3	10.7	.76	10.1	3855.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms ..... N	24.88	- .63	- 2.5	27.25	24.25	38.50	20.13	4,704	1.06	1.22	- 13.1	9.9	.56	2.3	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works ..... N	25.00	- 1.75	- 6.5	27.75	24.50	36.63	21.25	3,858	.88	.66	33.3	13.0	.88	3.5	.....	9 mos.	09-87	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	80.4	9.2	1.39	5.3
Thos Inds ..... N	17.38	1.50	9.4	18.00	15.25	21.53	13.81	949	.90	.75	20.0	11.7	.65b	3.7	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.36	71.4	241.4	9.4	12.3	28.1	1.16	28.3
Triangle Ind ..... N	26.13	- .88	- 3.2	27.13	26.00	44.00	22.50	4,191	1.84	1.36	35.3	11.7	.12	.5	.....	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp ..... N	32.25	- 5.50	- 14.6	38.25	32.25	48.19	26.00	11,660	1.58	1.72	- 8.1	12.4	1.16	3.6	.....	9 mos.	09-87	583.2	13.0	58.5	54.8	.77	54.0	1697.8	12.4	148.5	70.5	2.02	69.7
USG Corp ..... N	28.75	- 1.25	- 4.2	33.25	28.50	55.88	23.50	15,757	3.08	2.87	7.3	6.3	1.12	3.9	.....	9 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.63	38.1
Weller, Jim ..... N	60.00	.25	.4	60.00	59.50	62.38	35.81	694	.17	.14	21.4	14.7	1.20	2.0	.....	fiscal	08-87	709.4	7.1	53.5	6.8	1.87	48.1	2429.2	2.6	186.1	19.8	4.69	10.2
Wausau Ind ..... M	9.75	1.00	11.4	10.13	8.25	13.25	7.25	1,980	3.13	1.83	71.0	14.1	.10	1.0	.....	3 mos.	09-87	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser ..... N	35.75	- 3.63	- 9.2	41.00	29.88	60.00	19.00	26,817	1.97	1.53	28.8	12.0	1.50	4.2	.....	9 mos.	09-87	1819.8	30.2	126.1	102.7	.89	102.3	5206.3	23.9	317.2	75.6	2.27	87.6

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Engineered lumber: It's even better than the real thing

(Continued from page 6)
with pioneering and perfecting the concept of a manufactured lumber, lightweight and capable of outperforming lumber in stiffness and strength.

Others, including the major forest products producers, began entering the field by the mid-1980s *(see related story)*.

On a linear-foot basis, engineered lumber can be 30 to 50 percent more expensive than dimensional lumber. But manufacturers say the increased cost is deceptive.

"As a value-added product, it represents an opportunity for manufacturers to get a greater return on their investment," said Bill Walters, structural wood products manager of Willamette Industries' TMI Structural Systems, Portland, Ore. "For the installer it means less waste on the job site, easier installation and while it costs more on a per unit basis, it's actually much, much less in total construction costs."

Willamette became an engineered wood producer in November with TMI's trademarked WSI Joists.

This viewpoint, though, was challenged by Richard Robinson, president of Woodhaven Lumber Co., a Point Pleasant, N.J., retailer selling mainly to contractors.

"At best, you come out equal; there's never a savings," said Robinson, whose company stocks a variety of engineered lumber products. He conceded, though, that it took less material and time to install engineered products.

Kenneth Moore, vp-merchandising for lumber and building materials at Lowe's, said the North Carolina chain has sold joists and laminated lumber for several years.

But Lowe's sells the product in selected markets like Dallas, Atlanta, Nashville and Virginia Beach. "It's difficult to sell a new product to a builder when he's content with what he has been using all the time," Moore said. "These products are trying to replace an acceptable product and, like waferboard, they're not an overnight success.

"I still think it is having a wider level of acceptance, but you have to get the builder's attention," he said.

NRLA dealers optimistic about 1988

(Continued from page 7)
334 companies and their 564 booths.

This is the second year that the show was held in the World Trade Center while its traditional venue, the Hines Auditorium, undergoes complete remodeling. The show will return to the Hines next year on Jan. 13-15 to accommodate more suppliers.

This year's show theme—"The Year of the Employee"—reflected the concerns among dealers of finding and retaining good help in states that commonly have 3 percent unemployment rates.

At the discussion on "The Great Northeastern Worker Shortage: How to cope today, and tomorrow," panelist Evelyn F. Murphy, lieutenant governor of Massachusetts, told the audience, "These labor shortages will continue into the next century."

The show traditionally has a strong millwork bias. But the number of roof window manufacturers this year caused Tom Hancock, executive vp from Hancock Lumber in Casco, Maine, to describe it as "the product of the show." Bethany Fall, marketing manager for Roto Frank, a Chester, Conn., supplier, said that as many as 16 skylight suppliers were at the show.

"There are a lot of specialty items like circular windows, treated lumber and spindles, reflecting the more expensive products that people are now stocking," said Frank Blair, president of Curtis Lumber, Ballston Spa, N.Y.

Dealers thought 1988 would be a slower year and stated that the larger homes are already sitting on the market.

Mike Polero, sales representative for Weathershield, window manufacturer in Scarborough, Maine, expected to see more affordable housing built this year.

"We see more commercial and industrial business, rehabbing old factories into condos and office space," said Kurt Herscher, president of Stevenson Lumber, Stevenson, Conn.

Other dealers, notably Mullen Lumber in Sudbury Mass., and Hancock Lumber are capitalizing on the increasing interest in millwork by opening specialty stores in 1988.

During the convention, Leslie Sutherland, chief operating officer at Dettinger Lumber, Pittsfield, Mass., became the new president of the NRLA. He succeeds Henry Page, president of H.G. Page & Sons, Poughkeepsie, N.Y., who spent an active year intensifying the association's education program.

The NRLA now takes training seminars to its members from Meredith, N.H. to Rochester, N.Y., and produced a 20-minute training video and handbooks for its members.

Also retiring Jan. 31., after 33 years with the association, was James E. Dunbar, executive consultant to the NRLA. Dunbar has seen the show grow from its New York days when there were 85 exhibitors.

Proposed postage hikes may threaten direct-mail

(Continued from page 7)
Passage of a rate hike more closely in line with the proposed increases for other mail classes has remained one goal of marketing service lobbyists making their case to postal regulators in Washington.

ADVO's Guiliano said the proposed hikes averaged 16 percent for all mail. The Postal Service will lose revenue, he noted, if the third class increase is large enough to drive away bulk customers.

Lobbyists for the mailing industry also seek additional discounts for "work sharing" with the postal service.

Work sharing, now often limited to discounts for presorting, could include additional price breaks for companies that privately transport mail to individual post offices.

"We think we can do it at a lot less cost than the postal service," said Guiliano.

Industry observers said they expected proposals for discounts to receive a sympathetic hearing. "Everybody wins," Charles Messina, postal service manager of mailing requirements in New York City, said of work sharing.

He said the postal service is encouraging use of carrier route presorted mail by requesting a smaller rise for that category than for other third class mail.

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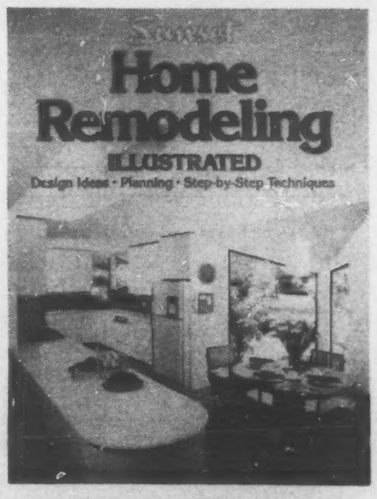

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U.S./U.S.S.R. housing project to start in spring

(Continued from page 1)
years, eight rehabilitation projects—four in each country—are scheduled to be completed.

In this country, one rehab will be done in Charleston, S.C., and two in Indianapolis. A site in Indianapolis is also being considered for the fourth project, Knott says.

In the Soviet Union, projects are scheduled for Moscow, Vilnas, Smolensk and Korovokan.

Knott says buildings were chosen that are as comparable as possible.

While the buildings are being rehabbed, groups from both countries will monitor progress and record information for future projects.

Knott, who has made several trips to the Soviet Union and is beginning to learn Russian, says he hopes the two countries can blend their construction styles.

"We are so proud of our diversity, but we go in all directions," he says. "The Soviet Union has run hog wild in the area of central planning. Somewhere in the middle is where you want to be."

3/28/88 C 5150-6

National Home Center News®

Vol. 14, No. 3 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. February 8, 1988

Hypermart USA opened its first 220,000-square-foot unit in Garland, Texas, in December. NHCN photo

European-style hypermarkets debut in American heartland

Walton predicts total of 40 stores

By Edward McKinley

TOPEKA, Kan.— Sam Walton himself visited this mid-sized state capital to launch Wal-Mart's second Hypermart USA, a 220,000-square-foot store with groceries and general merchandise combined in a style borrowed from Europoean hypermarkets.

At the Jan. 25 opening ceremonies, Walton and other top Wal-Mart executives made folksy speeches that fueled civic pride in this Great Plains town of 115,000, and led Hypermart employees in emotion-charged cheers worthy of the state basketball finals.

"There's nothing like it anywhere else on this globe of ours," Walton told the opening-day throng, referring to the two Hypermart's Americanization of the hypermarket.

Wal-Mart has announced

(Continued on page 55)

Units pose little threat to DIY biz

By an NHCN staff editor

NATIONAL REPORT — Do-it-yourselfers looking for paint at Hypermart USA will find an 8-foot run of product, all one brand and one color—white.

News Analysis

The narrow paint offering characterizes merchandising

(Continued on page 55)

Lampert Lumber exploring sale of 44-unit firm

By Gary S. Ruderman

ST. PAUL, Minn. — Officials of Lampert Lumber Co., the privately held 44-unit retailer operating in the upper Midwest, are exploring the possibility of selling the 101-year-old firm.

In a statement to *NHCN*, John R. "Jack" Lampert, the chain's chairman, confirmed the board of directors' decision to "explore the possibility of selling the company for the benefit of shareholders and employees because of the diverse needs of shareholders."

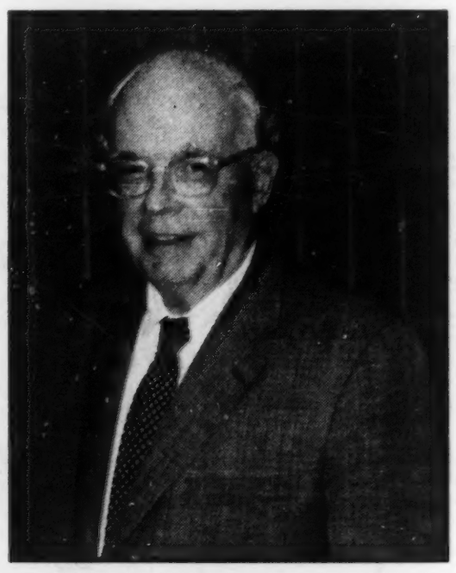
There are more than 100 shareholders representing four generations of ownership in the company, many with no major interest in operations of the company, Lampert said.

Lampert retained St. Paul brokerage Piper, Jaffray & Hopwood to negotiate for the firm, the chairman said. There were no current offers on the table, Lampert and chain president George Poulos said.

Poulos characterized the chain as "very sound." The retailer, which gets around 65 percent of its volume from consumers, ended 1987 with sales in excess of $90 million, up from an estimated $84 million in 1986. Sales from 1984 to 1985 grew 3 percent, the company reported. It has closed three units since 1984.

The chain operates in Minnesota, Nebraska and North and South Dakota.

Just how strong the interest is in Lampert Lumber—which was the 46th largest home improvement chain in the industry in 1986, according to *NHCN* estimates—remains in question.



Jack Lampert, chairman of Lampert Lumber. NHCN photo

"A number of chains are looking to cherry pick" locations, suspects Bob Ungerman, the new president of Lampert Yards, a contractor-oriented competitor also based in St. Paul, Minn. "We

(Continued on page 55)

Insulation sales rise, but promos slice margins

By John Caulfield

NATIONAL REPORT — Last fall, Tom Newton thought he had made a big mistake pushing the idea of a "Buck a Bundle" fiberglass promotion to his supervisors at CertainTeed Corp., the Valley Forge, Pa.-based supplier.

The promo, which offered a $1

(Continued on page 54)

New store design program targets independent yards

By Elizabeth Brent

PORTLAND, Me.— Emery-Waterhouse last fall became the first independent distributor to offer its lumberyard dealers a "store of the future."

The Golden Rule 'Q' or "Quality" store program is targeted towards the individual or family-owned lumberyard wishing to remodel or build a new store.

It is similar to other distributors' programs in offering a unified image and providing help with store layout, decor and promotions. Yet it differs by emphasizing the contractor customer.

"It's of paramount importance to address the contractor business as well as enhancing the DIY," said Ron Johnson fixtures and fittings manager for the Q program at Emery-Waterhouse.

(Continued on page 56)

Timbermart, a New Hampshire independent, was the first store to use Emery-Waterhouse's Q program. NHCN photo

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New shingles resist fungus, protect roofs 29

NEWSBREAKS

BLACK & DECKER BIDS $1.8 BIL. FOR AMERICAN STANDARD: American Standard has asked shareholders not to tender their stock until management makes a recommendation. The unsolicited offer expires Feb. 24.

WESTLAKE PLANS FLA. BLITZ: Westlake plans to open 10 additional Florida units by August 1988 and another 50 to 70 units by 1990.

ACO OPENS UNIT IN CANTON: Aco Hardware opened its 64th unit Jan. 22 in Canton, Ohio, one of seven planned openings in 1988.

INDUSTRY UPDATE

Neiman-Reed to add 2 in spring

VAN NUYS, Calif. — Neiman-Reed's Lumber City is converting two former Ralphs supermarkets into 30,000-square-foot stores in the San Fernando Valley.

The units are scheduled to open in March and April in Canoga Park and Woodland Hills and mark the first new-store openings for the now 10-unit chain since it was bought in December 1986 by Jesse Ruf, president and ceo.

Co-founder Robert Neiman said the outlets are smaller than the chain's average 40,000-square-foot-plus units but reflect the difficulty of obtaining real estate in the populous region "in areas we want to function in."

HomeClub names marketing vp

FULLERTON, Calif. — Scott Richards has been named vp and director of advertising and marketing for HomeClub, the 36-unit membership warehouse chain headquartered here.

Richards is responsible for supervising HomeClub's marketing and advertising programs. Formerly marketing manager for San Diego-based Price Co., Richards joined HomeClub four years ago as marketing director.

Payless to shutter four units

KANSAS CITY, Mo. — Payless Cashways will close three stores in Texas and one in Missouri as part of the financial restructuring plan announced in November.

The stores can no longer be operated profitably in these markets, according to David Stanley, chairman of the 195-unit chain.

Payless' only El Paso, Tex., store will be the first to close, on Feb. 29. This will be followed by two of the 13 Furrow stores in Houston on Feb. 27.

The fourth store at Vivion Road, Kansas City, Mo., will not close until November 1988. It is one of the 10 stores in that market scheduled to be replaced in 1989 by a full-line Payless Cashways store at a different location.

Hechinger completes HQ buy

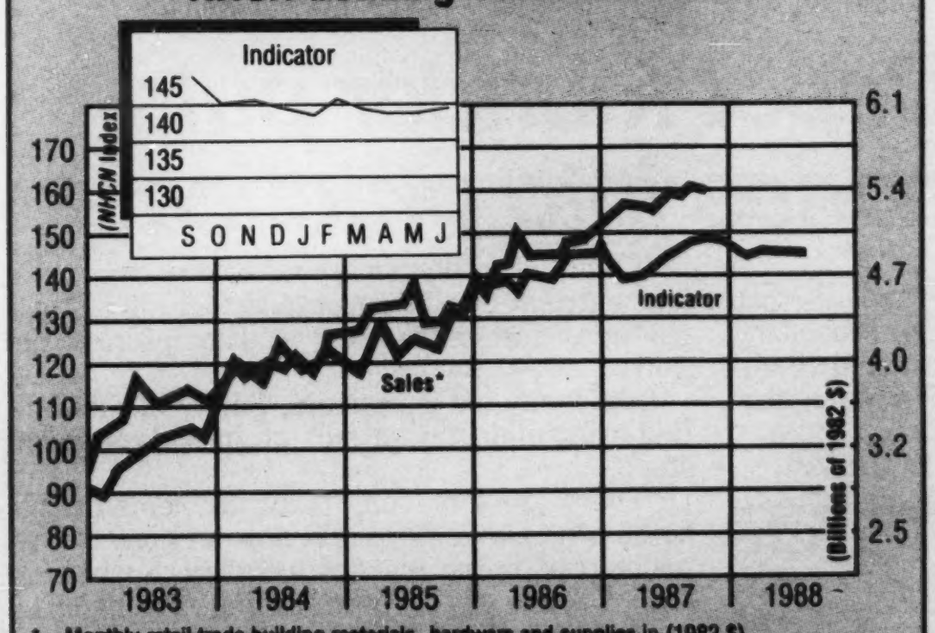
LANDOVER, Md.— The Hechinger Co., is scheduled to complete its acquisition of Home Quarters Warehouse, the Virgina Beach, Va., warehouse company on Feb. 12.

Hechinger received notice from the Federal Trade Commission, in mid-January, that there would be an early termination of the waiting period under the Hart-Scott-Rodino Act.

Both chains continue to pursue their separate expansion programs. Hechinger opened two new stores in January, in Charleston, S.C. and Harrison, Va. It will enter the New England market in February with its first store opening in Hartford, Conn.

Home Quarters Warehouse, which will continue to operate as a separate entity after the merger, is scheduled to open two stores in Charlotte, N.C., in the first quarter and one in Charleston, S.C., in the second quarter, according to Frank Doczi, chief operating officer.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales through the first half of 1988. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

For editorial, advertising or subscription information call NHCN's *main offices at:*

212-371-9400

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Available for calls 9-5:30 (E.S.T.)

Builders Emporium cuts 4 posts in another management shakeup

By Brad Altman

IRVINE, Calif. — In its second management shakeup in five months, Builders Emporium has trimmed four staff positions—two merchandise managers and two buyers—from its corporate headquarters staff, *NHCN* has learned.

Merchandise managers Gus Howell and Chuck Gruver, home decor/housewares buyer Jerry Gonzalez and Roy Josterand, a buyer for BE's Southwest Region, left the company Jan. 4.

Michael Sitrick, senior vp-communications for BE parent Wickes Cos., declined comment on the staff reductions. He confirmed, however, that BE has "streamlined" its corporate merchandising department.

The employees apparently were cut in connection with the elimination of a separate buying organization for BE's two dozen stores in its Southwest Region which covers stores in Arizona, New Mexico and western Texas.

These stores operate under the Ole's, Allwoods, Cashway and Handy Dan names and were part of 108-unit Grace Home Centers West which Wickes bought from W.R. Grace in July 1986.

Gruver and Howell were replaced by current employees Richard Dickenson, former merchandise manager for the Southwest Region, and Dennis Albert, vp-advertising.

Dickenson was named merchandise manager overseeing lumber, building materials, home decor, nursery, seasonal, garden, housewares and plumbing. Albert will continue to hold the advertising responsibilities but also serve as merchandise manager for automotives, hardware, paint, floor coverings, tools and electrical departments.

Last Aug. 17, BE president Jack Edwards announced a management structure in which a new position, senior vp-marketing, was filled by Ted Kazleman, former president of Heck's stores.

At the same time, vp-merchandising Phyllis Friedman assumed the newly created post of vp-imports and consolidated purchasing. Senior vp-store operations Max Clark left the company as part of that restructuring.

Albert and Dickenson report to Kazleman, whose responsibilities include merchandising, marketing, advertising, replenishment, facilities and store planning.

Edwards was unavailable for comment concerning the most recent manpower shifts.

Pay 'N Pak's negotiations to buy unnamed chain are terminated

By an NHCN staff editor

KENT, Wash. — In a surprise announcement, Pay 'N Pak disclosed it negotiated for two months to acquire a "large" home center chain, but terminated talks in mid-January when both sides "failed to reach an agreement on certain fundamental issues."

Numerous retail competitors of Pay 'N Pak up and down the West Coast told *NHCN* they hadn't a clue as to which company the chain was negotiating with.

A Pay 'N Pak official, while declining to reveal the name of the company with which his chain was negotiating, said it chose to publicly disclose the talks in part to explain to the Wall Street financial community why the 98-store retailer has delayed until April 30 its previously announced Dec. 31, 1987, deadline to complete a management-backed leveraged buyout.

Pay 'N Pak now plans to hold a shareholders' meeting in March to gain approval for its merger with PNP Prime Corp., formally known as Rosewood Holdings, a management group backed by the leveraged buyout division of Citicorp.

A statement issued Jan. 14 said Pay 'N Pak decided it was "desirable" to delay this meeting "until the [retail home improvement centers] acquisition discussions were completed or terminated."

A company official acknowledged that the merger delay with PNP Prime eroded Wall Street's confidence that PNP Prime would be able to acquire financing to complete the deal. "The stock drifted South and some in the financial community thought the delay meant Pay 'N Pak would renege on the deal," the official said.

The company's shares are now traded on the New York Stock Exchange, but Pay 'N Pak will become private once the merger is approved.

A market is expected to be maintained for trading the company's remaining publicly held shares, which will be converted into PNP Prime preferred shares upon consummation of the merger.

As previously reported (*NHCN*, Jan. 25), Pay 'N Pak closed eight "marginally profitable" stores in mid-January.

Strober ceo falls to death from New York building

By an NHCN staff editor

NEW YORK — Eric Strober, chairman and ceo of the rapidly growing Strober Organization, plunged to his death from the 22nd floor of a mid-town Manhattan skyscraper minutes after leaving his lawyer's office for a men's room, police said.

Strober, who was 46, led one of the fastest growing lumber and building material operations in the industry. Since its public offering in 1986, the nine-unit chain's sales jumped 20 percent to $92.4 million. The Brooklyn-based company was the only industry retailer heralded on *Forbes* magazine's list of "The 200 Best Small Companies in America."

"We are deeply saddened by the loss of a great leader and friend," said Gary F. Kulick, in a press release.

Another Strober executive said the ceo's death "made absolutely no sense" in pointing out that the company was "doing fine."

Builders Sq. eyes sports concept

SAN ANTONIO, Tex. — Builders Square and its corporate parent, K mart, will roll out a sporting goods chain that will be headquartered with Builders Square and led by former Builders Square executive, Thomas J. Klimback.

Mary Lorencz, a K mart spokesperson, said the new operation is still in the developmental stage, but will use the warehouse concept under the name, Sports-Club of America.

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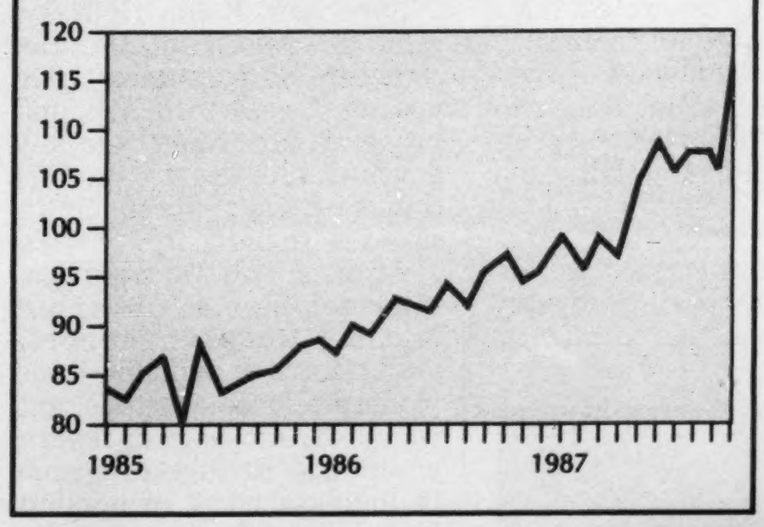
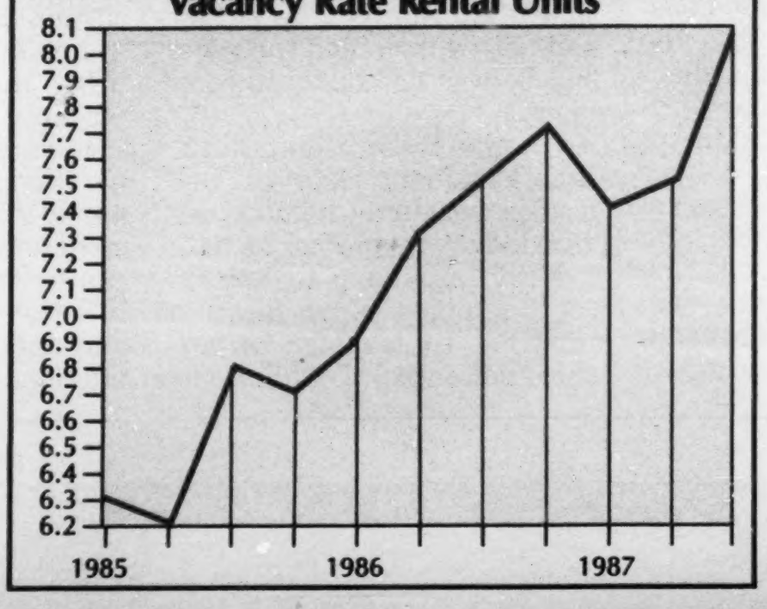
Business Watch

Section 4

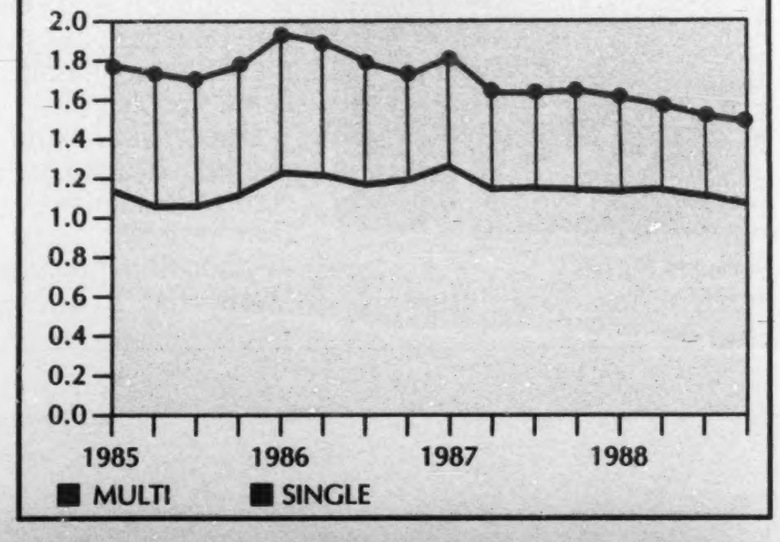
Pressure on housing affordability . . .



. . . and high vacancy rates . . .



. . . will lower housing starts in 1988



Total housing starts to drop 8% from '87 level of 1.6M units

By Richard E. Mount
Special to NHCN

Total housing starts are likely to ease in the first half of 1988 and then fall more sharply in the second when interest rates increase. For the year, starts should total 1.52 million units, down 8 percent from the 1987 pace of 1.66 million.

The weakness in housing starts will keep retail building material sales growth to 5 percent in 1988, unchanged in unit volume. Building material sales rose 8 percent in 1987.

Single-unit starts, a larger market than multi's for most commodities dealers, are headed 6 percent lower in 1988.

Richard E. Mount

Affordability will be the major constraint for single-unit starts in 1988. Income gains remain weak, up only 6.8 percent from a year ago, while new home prices are running 23.5 percent higher.

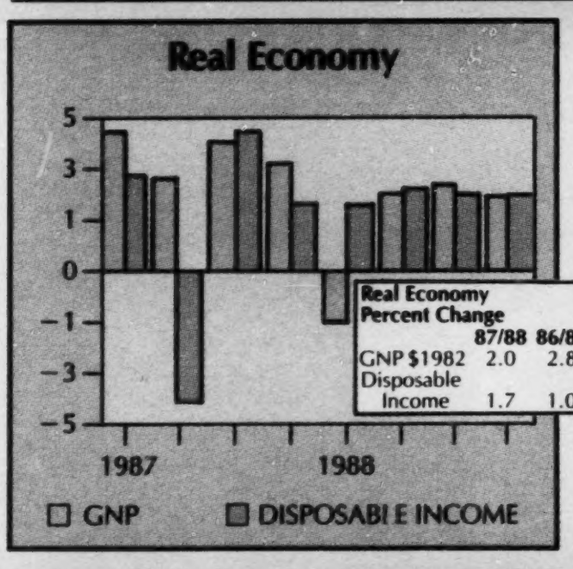
Mortgage rates, the third major component of affordability—along with home prices and buyer income—should ease slightly in the first half when the economy slows, but rates will rise in the second half of 1988 as the expanding economy increases its debt needs. With housing affordability sputtering, single-unit starts will be slightly lower in the first half, with a sharper dropoff in the second.

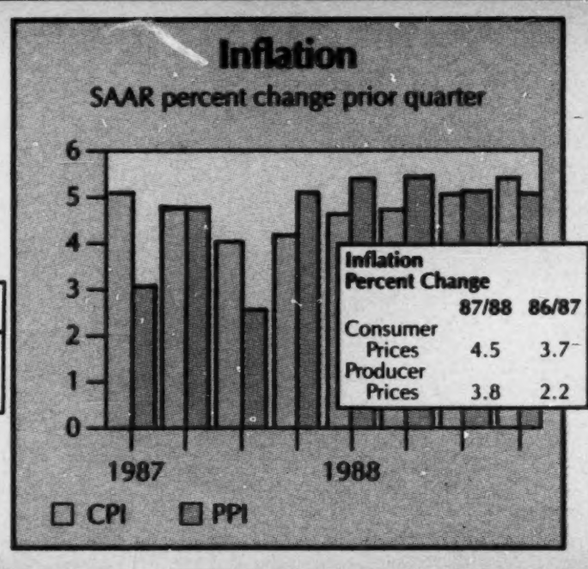
Home buyers were able to reduce part of the rising mortgage rate burden in 1987 by switching the adjustable rate mortgages which typically are about 200 basis points less than fixed. But, adjustables now account for about 65 percent of new home mortgages, up from 19 percent in April of 1987, leaving little room for additional shifts to ARMs in 1988.

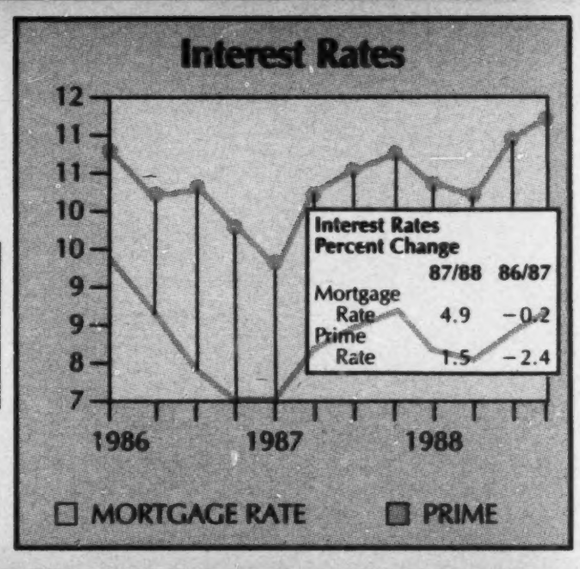
Multiunit starts will be weaker than singles in 1988—down 13 percent. This market is expected to continue its decline that began in the first quarter of 1986 and has already fallen 39 percent from its peak.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

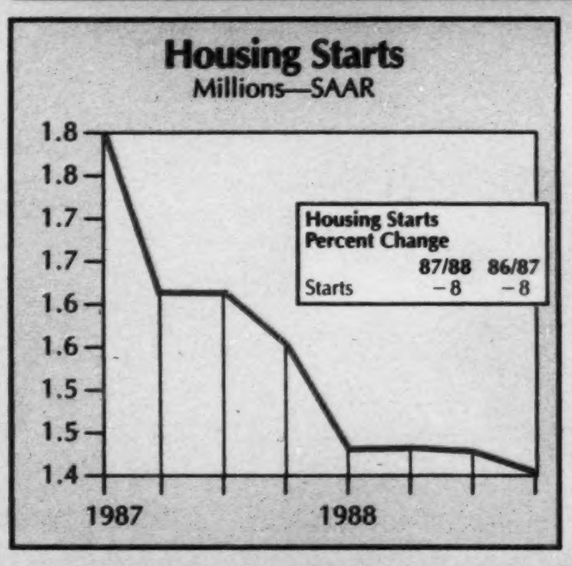
General Business Conditions

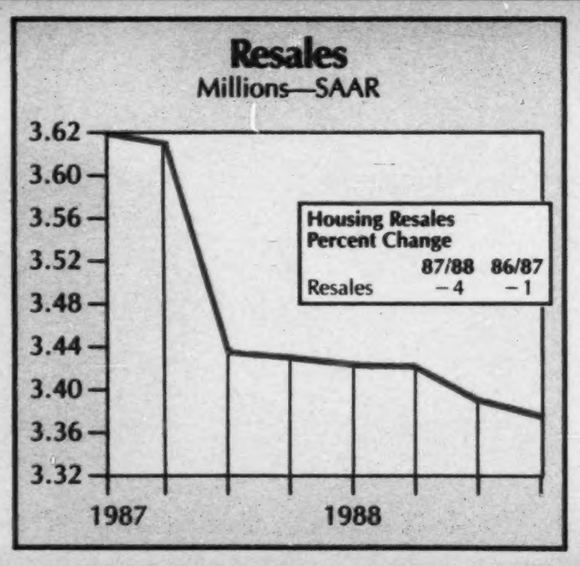


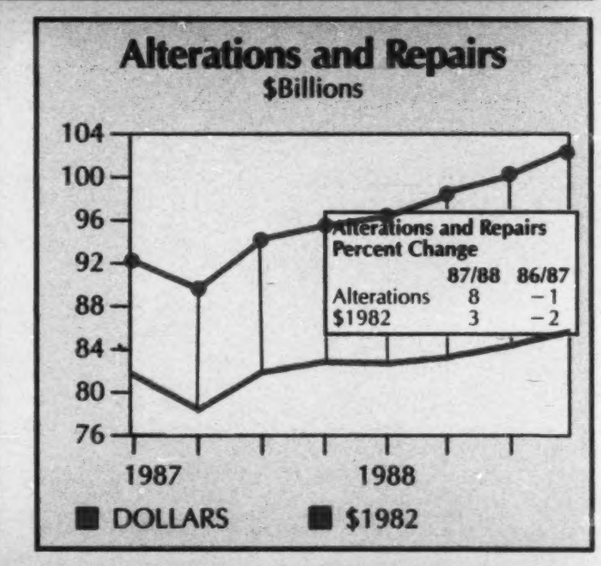




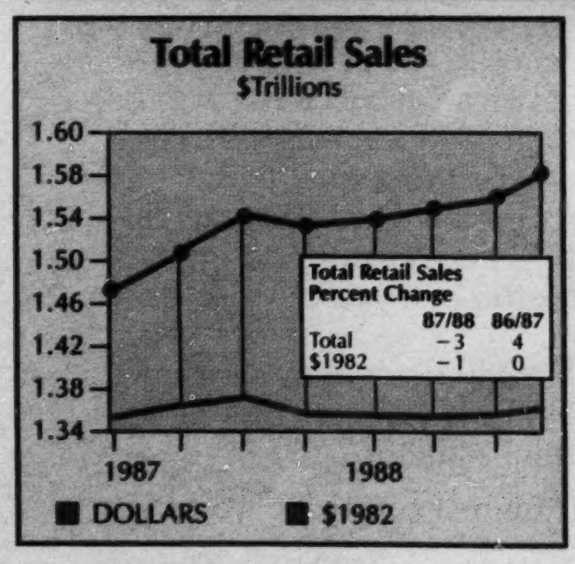
Housing

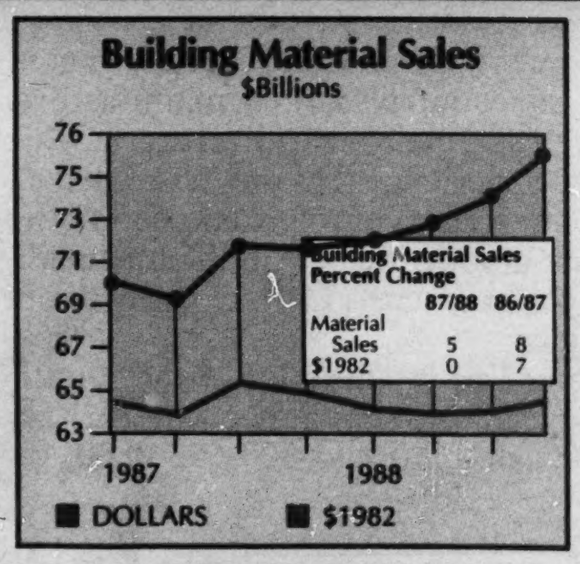


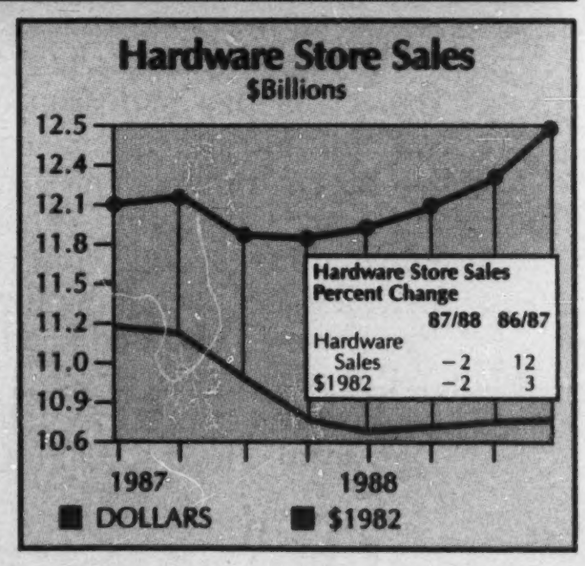




Retail Trade Activity







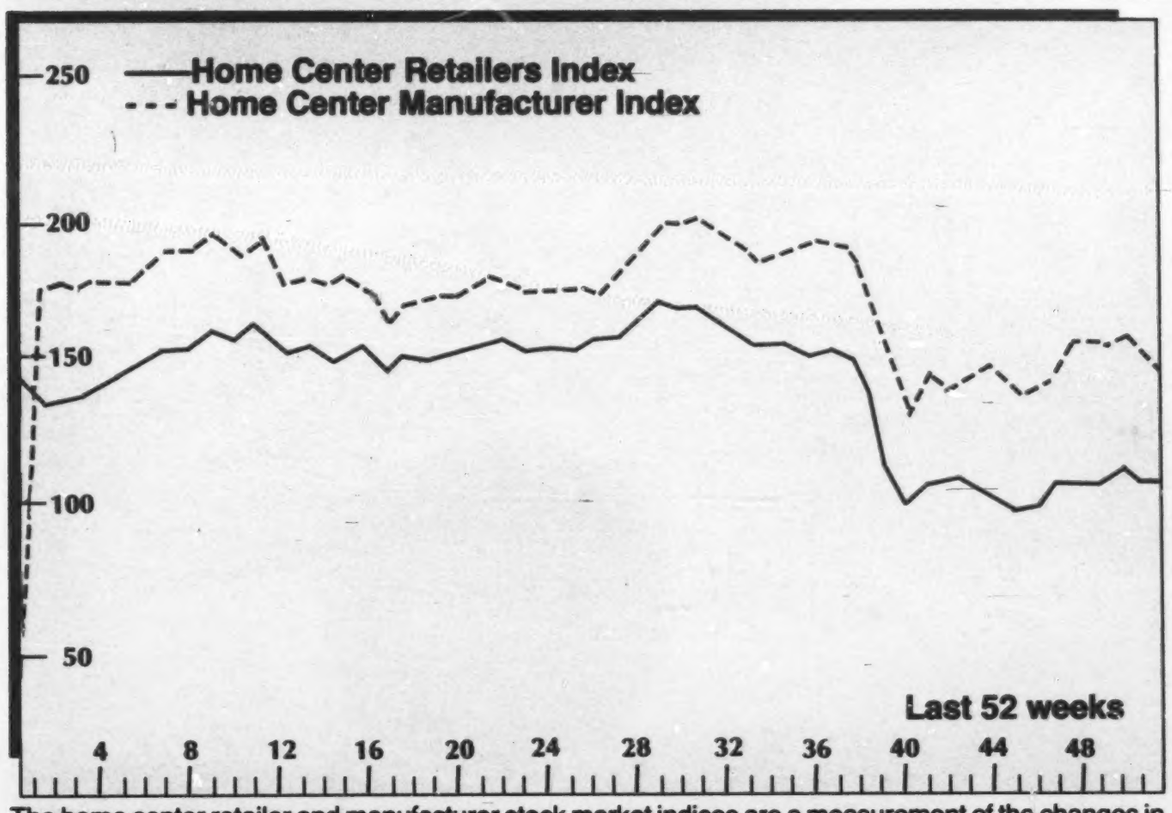
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on January 22, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Losers outpace winners again

Once again, there were more losers than winners among home center industry stocks for the period ending Jan. 22. Of the 57 stocks tracked for *NHCN* by Media General, 32 decreased, 19 increased and six remained unchanged.

Among retailers, Grossman's dropped 7.8 percent to close at $5.88, despite a small rally two weeks ago. Home Depot continued to decline, closing down 3.3 percent at $18.38. The steepest decline was recorded by Wolohan Lumber, down 15.7 percent to $9.38.

The Brooklyn, N.Y.-based Strober Organization continues to gain, up 3.2 percent to $8, while Pay 'N Pak made the strongest showing for the period, up 14.6 percent to $13.75.

Among wholesalers, only Hughes Supply gained, up only a half percent. Both Moore Handley and Stanline declined, while Lewis Palmer remained even.

Manufacturers fared not much better, although some companies were able to recoup losses. Black & Decker bounced back, up 13.9 percent after a 4 percent loss in the last reporting period; it closed at $20.50. Union Camp was able to close up 1.9 percent at $32.88. British Columbia's Macmillan Bloedel finished unchanged at $16, while Waxman Industries tumbled 9 percent to close at $8.88.

Finally, Jim Walter Corp. will no longer be listed on the stock index. It has been bought by the firm of Koldberg, Kravis, Roberts and Co., and no longer will be publicly traded.

Gainers 19

Unchanged 6

Losers 32

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 1-22-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Gen Bldg Prods M	4.50	- .25	- 5.3	5.25	4.50	12.50	4.00	176	.44	.95	- 53.7	6.3	.00	.0	.....	9 mos.	09-87
Grossman's Inc M	5.88	- .50	- 7.8	6.25	5.88	11.25	4.13	8,012	3.07	2.00	53.5	18.4	.00	.0	.....	9 mos.	09-87
Hechinger A M	17.00	- 2.00	- 10.5	18.25	17.00	26.50	14.25	2,422	2.22	2.43	- 8.6	NA	.16	.9	.....		00-00
Hechinger B M	17.50	- 1.75	- 9.1	18.50	17.00	26.75	15.50	319	.20	.22	- 9.1	15.0	.06	.3	.....	9 mos.	10-87
Home Depot N	18.38	- .63	- 3.3	19.13	17.38	28.09	12.13	20,023	4.07	1.62	151.2	18.6	.08	.4	.....	9 mos.	10-87
INTERCO Inc N	35.38	.38	1.1	36.50	34.75	54.00	29.50	6,388	1.61	1.08	49.1	9.9	1.60	4.5	NEW	9 mos.	11-87
K mart Cp N	30.88	1.63	5.6	32.38	29.25	48.38	21.63	47,077	2.34	1.47	59.2	9.3	1.16	3.8	.....	9 mos.	10-87
Lowe's Cos N	17.50	.00	.0	18.38	16.88	32.75	15.25	11,534	2.91	1.33	118.8	11.1	.44	2.5	.....	9 mos.	10-87
Mall Hardgoods M	4.50	- .25	- 5.3	5.00	4.25	10.00	3.75	90	.66	1.05	- 37.1	6.8	.00	.0	.....	9 mos.	10-87
Mall Lumber M	3.00	- .25	- 7.7	3.50	3.00	7.50	2.75	150	.27	.53	- 49.1	NE	.00	.0	.....	*	10-87
Pay n Pak N	13.75	1.75	14.6	13.75	11.63	21.50	11.38	1,866	1.87	.78	139.7	12.9	.00	.0	.....	9 mos.	11-87
Payless Cash N	11.50	- .25	- 2.1	12.50	11.38	26.88	9.63	15,386	4.44	1.69	162.7	14.2	.16	1.4	NEW	fiscal	11-87
Scotty's Inc N	12.63	- .13	- 1.0	13.38	12.25	15.88	10.00	633	.43	.72	- 40.3	16.4	.52	4.1	NEW	6 mos.	12-87
Sears, Roebuck N	33.50	1.25	3.9	34.88	32.38	59.50	26.00	69,197	1.83	.97	88.7	7.8	2.00	6.0	.....	9 mos.	09-87
Std Brd Pnt N	13.00	- 2.00	- 13.3	15.00	12.38	31.88	12.38	4,860	4.32	1.82	137.4	9.4	.00	.0	.....	9 mos.	10-87
Strober Organiz M	8.00	.25	3.2	8.00	7.50	15.25	6.50	365	.60	.49	22.4	8.7	.00	.0	NEW	9 mos.	09-87
Wickes Cos N	9.75	- .25	- 2.5	10.25	9.13	25.00	7.25	21,350	4.46	2.97	50.2	3.9	.00	.0	.....	9 mos.	10-87
Wolohan Lumber M	9.38	- 1.75	- 15.7	11.00	9.25	18.75	8.75	1,142	1.95	1.04	87.5	6.9	.24	2.6	.....	9 mos.	09-87
Zayre Corp N	14.88	- .63	- 4.0	16.25	14.50	37.00	13.50	27,053	4.77	3.01	58.5	5.4	.40	2.7	.....	9 mos.	10-87
Wholesalers																	
Hughes Supply N	25.00	.13	.5	25.00	24.13	30.25	19.75	621	1.87	1.15	62.6	10.0	.40	1.6	.....	9 mos.	10-87
Moore Handley M	4.00	- .50	- 11.1	4.00	4.00	9.75	3.88	20	.08	.98	- 91.8	15.4	.00	.0	.....	9 mos.	09-87
Lewis Palmer M	6.63	.00	.0	6.88	6.63	9.88	5.75	1,375	3.42	1.62	111.1	17.4	.28	4.2	.....	9 mos.	10-87
Stanline Inc M	9.38	- .88	- 8.5	9.75	8.75	13.31	6.19	65	.36	1.00	- 64.0	8.7	.32b	3.4	NEW	fiscal	10-87
Manufacturers																	
Am Consum Prods M	11.00	.00	.0	11.00	10.25	14.25	7.88	461	2.22	.42	428.6	18.0	.00	.0	.....	9 mos.	09-87
Am Standard N	36.50	- 1.25	- 3.3	38.00	35.25	55.00	30.50	6,539	2.04	1.35	51.1	9.5	1.80	4.9	.....	9 mos.	09-87
Am Woodmark M	9.25	- .75	- 7.5	10.00	9.25	17.13	6.50	212	.31	.59	- 47.5	10.1	.00	.0	.....	6 mos.	10-87
Armstrng Wrld N	30.50	.38	1.2	33.13	29.50	47.38	22.50	7,464	1.57	1.55	1.3	9.9	.90	3.0	.....	9 mos.	09-87
Black & Decker N	20.50	2.50	13.9	20.50	18.38	26.50	13.00	21,287	3.65	1.57	132.5	21.6	.40	2.0	.....	fiscal	09-87
Boise Cascade N	39.38	1.72	4.6	39.91	36.00	52.13	28.81	13,175	2.81	1.91	47.1	12.6	1.20	3.0	.....	9 mos.	09-87
Certain-teed N	25.50	- 2.00	- 7.3	27.25	25.13	45.75	24.13	812	.43	.51	- 15.7	8.1	1.00	3.9	.....	9 mos.	09-87
Champ Intl N	31.88	- .13	- .4	34.00	30.50	44.63	21.75	34,081	3.58	2.07	72.9	8.3	.80	2.5	.....	9 mos.	09-87
Clairson Intl M	7.88	.13	1.6	8.25	7.50	18.25	5.00	795	1.56	.83	88.0	14.3	.00	.0	.....	fiscal	09-87
Cooper Indus N	53.38	1.25	2.4	56.88	51.38	74.50	39.00	11,610	2.32	1.38	68.1	16.0	1.68	3.1	.....	9 mos.	09-87
DeSoto Inc N	24.38	.00	.0	25.38	23.25	43.75	21.00	748	1.88	2.11	- 10.9	8.6	1.40	5.7	.....	9 mos.	09-87
Emhart Corp N	19.13	- 1.50	- 7.3	21.13	19.00	26.63	15.50	5,769	.92	.75	22.7	12.4	.80	4.2	.....	9 mos.	09-87
Georgia Pacific N	32.88	- .75	- 2.2	35.50	30.75	52.75	22.75	48,709	4.47	1.92	132.8	8.4	1.20	3.7	.....	9 mos.	09-87
Insilco Corp N	16.38	- .25	- 1.5	16.75	15.38	28.13	14.00	3,782	1.81	1.24	46.0	9.6	1.00	6.1	.....	9 mos.	09-87
La Pacific N	26.25	- 1.88	- 6.7	28.88	25.50	39.75	21.50	6,962	1.82	1.09	67.0	8.9	.80b	3.0	.....	9 mos.	09-87
Macmillan Bloedel M	16.00	.00	.0	16.38	15.50	23.50	12.00	7,661	.75	.66	13.6	NA	1.10	NA	.....	9 mos.	09-87
Manville Cp N	2.50	.00	.0	2.63	2.38	5.38	1.88	3,318	1.38	1.46	- 5.5	.5	.00	.0	.....	9 mos.	09-87
Masco Corp N	23.75	.75	3.3	24.00	22.00	40.88	18.75	41,202	3.11	1.16	168.1	13.0	.40	1.7	.....	9 mos.	09-87
Mor-Flo Inds M	7.00	.75	12.0	7.00	5.75	14.38	5.50	124	.50	.53	- 5.7	NE	.01	.1	.....	9 mos.	09-87
Newell Co N	29.00	.75	2.7	30.50	27.50	43.00	21.13	2,050	1.79	.92	94.6	11.9	.84	2.9	.....	9 mos.	09-87
Nortek Inc N	7.63	- .13	- 1.6	8.00	7.25	17.38	5.00	3,637	2.31	1.81	27.6	12.7	.10	1.3	.....	9 mos.	09-87
Owens Corn N	16.63	.75	4.7	17.50	15.88	32.38	9.00	15,499	4.14	2.59	59.8	NA	.00	.0	.....		00-00
Ply-Gem A	10.88	.38	3.6	11.38	10.13	18.13	9.00	5,024	4.50	1.22	268.9	9.8	.12	1.1	.....	9 mos.	09-87
Pope & Talbot N	17.00	- .50	- 2.9	19.50	15.50	27.25	9.75	4,375	3.64	2.27	60.4	7.0	.50	2.9	.....	9 mos.	09-87
Potlatch Cp N	25.50	- 1.00	- 3.8	26.75	25.00	41.88	21.00	4,554	1.70	.74	129.7	8.6	.92	3.6	.....	9 mos.	09-87
PPG Inds N	32.38	- .38	- 1.1	35.00	31.25	53.50	27.50	20,381	1.71	1.00	71.0	11.0	1.20	3.7	.....	9 mos.	09-87
Sherwin-Wms N	25.63	.75	3.0	27.38	24.75	38.50	20.13	4,798	1.08	.83	30.1	10.2	.56	2.2	.....	9 mos.	09-87
Stanley Works N	24.75	- .25	- 1.0	27.00	23.63	36.63	21.25	3,078	.71	.47	51.1	12.8	.88	3.6	.....	9 mos.	09-87
Thos Inds N	17.00	- .38	- 2.2	17.38	16.75	21.53	13.81	1,023	.97	.46	110.9	11.4	.65b	3.8	.....	9 mos.	09-87
Triangle Ind N	24.25	- 1.88	- 7.2	26.00	23.50	44.00	22.50	10,100	4.45	1.37	224.8	10.9	.12	.5	.....	9 mos.	09-87
Union Camp N	32.88	.63	1.9	35.75	31.50	48.19	26.00	20,110	2.73	1.31	108.4	12.6	1.16	3.5	.....	9 mos.	09-87
USG Corp N	27.00	- 1.75	- 6.1	31.25	26.75	55.88	23.50	19,787	3.87	2.31	67.5	5.9	1.12	4.1	.....	9 mos.	09-87
Waxman Ind M	8.88	- .88	- 9.0	9.63	8.75	13.25	7.25	6,140	9.70	2.23	335.0	12.9	.10	1.1	.....	3 mos.	09-87
Weyerhaeuser N	37.25	1.50	4.2	38.88	34.75	60.00	19.00	36,623	2.89	1.29	108.5	12.5	1.50	4.0	.....	9 mos.	09-87

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
-	$Mill	%	$Mill	%	$	%	$Mill	%	$Mill	%	$	%
Retailers												
Gen Bldg Prods M	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc M	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	38.1
Home Depot N	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc N	924.0	22.0	43.5	46.0	1.05	11.7	2548.3	29.9	108.4	60.4	2.57	22.1
K mart Cp N	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.92	22.1
Lowe's Cos N	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Mall Hardgoods M	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Mall Lumber M	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak N	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash N	457.3	13.3	- 2.7	- 100.0	- .08	- 100.0	1768.1	15.9	28.1	- 33.7	.81	- 33.6
Scotty's Inc N	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck N	12193.2	9.1	409.0	24.7	1.08	22.7	34391.2	9.8	1087.3	34.5	2.86	31.8
Std Brd Pnt N	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz M	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos N	NC	NC	18.6	- 43.6	.37	- 50.7	2844.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber M	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.97	75.4
Zayre Corp N	1621.7	21.7	21.2	- 7.4	.37	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers												
Hughes Supply N	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley M	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer M	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc M	17.9	12.6	.5	.0	.32	3.7	64.9	8.7	1.9	18.8	1.08	22.7
Manufacturers												
Am Consum Prods M	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard N	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark M	34.3	7.5	2.4	4.3	.35	6.1	86.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld N	622.3	23.0	43.9	23.3	.92	26.0	1700.0	23.6	116.9	28.7	2.46	28.8
Black & Decker N	502.1	14.7	15.0	581.8	.26	766.7	1934.8	8.0	55.6	102.2	.95	93.9
Boise Cascade N	997.0	5.7	50.4	278.9	1.02	343.5	2845.2	2.1	125.8	80.7	2.50	82.5
Certain-teed N	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl N	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl M	28.2	97.2	1.2	140.0	.25	92.3	82.0	43.9	2.7	42.1	.55	7.8
Cooper Indus N	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc N	88.2	- 7.9	1.9	NE	.47	NE	308.2	- 8.3	10.9	211.4	2.74	275.3
Emhart Corp N	568.3	18.1	23.3	NE	.37	NE	1788.9	18.5	80.1	NE	1.28	NE
Georgia Pacific N	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp N	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific N	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel M	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp N	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp N	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds M	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co N	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Nortek Inc N	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot N	113.5	45.3	7.0	62.8	.59	63.9	320.1	40.2	20.9	182.4	1.74	180.6
Potlatch Cp N	246.9	- 1.2	22.6	35.3	.80	35.6	738.4	.9	62.7	25.9	2.23	26.0
PPG Inds N	1260.5	10.5	91.3	10.7	.76	10.1	3855.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms N	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works N	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	60.4	9.2	1.39	5.3
Thos Inds N	82.4	13.3	3.7	76.2	.36	71.4	241.4	9.4	12.3	28.1	1.18	28.3
Triangle Ind N	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp N	583.2	13.0	56.5	54.8	.77	54.0	1697.8	12.4	146.5	78.5	2.02	68.7
USG Corp N	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	18.7	3.83	38.1
Waxman Ind M	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser N	1819.8	30.2	126.1	102.7	.89	102.3	5206.3	23.9	317.2	75.6	2.27	87.6

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

NAHB remains optimistic about future housing market

(Continued from page 7)
economist with Wharton Econometrics.

He predicts that the growth markets for the next several years will be: Anaheim; Washington, D.C.; Fort Meyers and Naples, Fla.; Cincinnati, Seattle and Wilmington, Del.

Horwitz expects growth to slow in Phoenix; Riverside, Calif.; Norfolk, Va.; Denver; Raleigh, N.C.; and possibly Salt Lake City, depending on how active NASA, a local employer, is.

Trade-up buyers targeted

Builders are targeting much of their efforts at a demographic group where there is demand and cash in hand, the trade-up buyers seeking more living space and amenities.

"The market they're appealing to is the person who's 45, says I'm going to buy or build the house I want. I've earned it. I can afford it," said NAHB executive vp and ceo Kent Colton during a news conference.

There is both good news and bad news in this senario, according to John Herbert, president of Herbert/Smolkin Associates, a New Orleans marketing research company. Herbert addressed one of the convention's many seminars. While baby boomers often have home equity and substantial incomes required for purchasing a house, they are less mobile now than 10 years ago.

"The baby boomers are getting long in the tooth," Herbert said. "They're giving up lifestyles and starting lives." They may stay put longer but are able to spend substantial money on trade-up housing.

For the next several years, then, baby boomers will continue to require housing from the nation's builders. But the prospects for the early 1990s are less sanguine because little affordable starter housing is being built for young people born after the baby boom.

Indeed, housing formation will decline with the baby bust, said Merrill Lynch analyst Jonathan Goldfarb.

Builder interest in the profitable trade-up market is not expected to shift toward first-time buyers without economic incentive. The implications of having great numbers of Americans locked out of the housing market are obvious for both builders and remodelers.

In remarks prepared for the NAHB board of directors, David Maxwell, chairman and ceo of the Federal National Mortgage Association (FannieMae), said that a National Housing Task Force would soon release a report calling for federal, local and private efforts to develop affordable housing.

Showing off amenities

The focus of the show was the current, lucrative trade-up market, however, as reflected by five homes built specifically for touring during the show and many of the products on display.

The five homes are: the New Expanding Shelter Technology (NEST) home, sponsored by *Professional Builder*, which was constructed on the floor of the show; the New American Home, which was built in a Dallas suburb by *Builder* magazine and *Home* magazine; a Frank Lloyd Wright exhibition home sponsored by Kohler and Whirlpool; a Three Gables, a 6,100-square-foot Tudor-style home built in Dallas by *Better Homes and Gardens Special Interest Publications*; and a home built outside the Dallas convention center by Pella Windows.

If the homes suggest today's housing trends, then home buyers prefer open floor plans and expensive amenities. Following the influence of Frank Lloyd Wright, the homes generally "exploded the box." In the New American Home, for example, living room, dining room, kitchen and family room flowed into each other. In each home, expanses of windows connected indoors and outdoors to increase the feeling of space.

Amenities in the New American Home included rounded corners on all walls. The effect was achieved by an unusual curved corner bead supplied by Beadex Mfg., Stockton, Calif.

The home's sound system was accomplished with Bose speakers the size of small spot lights, which were fitted on ceiling tracks throughout the house.

The NAHB show, held Jan. 15 to 18 in Dallas, drew a record crowd of 60,126 attendees who expressed optimism about the future of the housing market. NHCN photo

The taste for upscale products was evident everywhere on floor of the show. For example, Dupont exhibited its Corian countertop material with a new granite-like appearence.

Kohler introduced a new faucet with an unusual design in which water flows along an open trough before cascading into the sink. The company also showed a new one-piece whirlpool and shower combination that was inspired by the Japanese approach to bathing.

Similarly U.S. Brass introduced its first plumbing fixtures with a high-end collection called Cambrian that includes a complementary array of faucets.

Technological amenities were also evident at the show. After a slowdown, development of the NAHB-sponsored Smart House, is reportedly gaining momentum. The research effort, aimed at revolutionizing how gas and electricity are used in the home, should result in a prototype house next year.

Emery store design program eyes independent lumberyards

(Continued from page 1)
Timbermart, a single store independent in Seabrook, N.H., is the first Q store on line and opened last October. Remington Lumber in Oakland, R.I., will be the second and Emery hopes to have at least five completed by year end in the 11-state area that it serves.

Since opening its new 40,000-square-foot store, Timbermart has increased its sales by over 24 percent, according to its president, Fred Stiles.

Before its transformation the single unit was bursting at the seams. It had already added four buildings to its original leased 10,000-square-foot showroom, and established itself as a home center specializing in kitchen and bath. The 1½-acre site had no further room for expansion, and with a sales increase of 38 percent to $5½ million in 1986, Timbermart began looking for another site.

"I was mesmerized by the home center concept and increasing margins," said Stiles.

"But I'm the single owner and wear 12 hats and didn't have time to spend on the new project," said Stiles.

Instead Stiles purchased a 16½-acre site a mere half mile away from the original store and with the help of Emery-Waterhouse began erecting the 40,000-square-foot store and three warehouses.

The cost of setting up the Q store was $6 per square foot for decor and fixtures, and $1.59 per square foot for merchandising and reticketing items in addition to the cost of product.

Timbermart differs from other prospective Q stores by already having a stronger consumer base, which is 65 percent of its total volume.

The store is however, typical in its yellow signage and racetrack layout but Stiles has added a mezzanine with offices and warehouse upstairs and an extensive kitchen and bath department underneath.

Huge French-framed windows provide a dramatic backdrop to kitchen settings and whirlpools. Timbermart stocks three different kinds of whirlpools and sold 40 in just 60 days, according to Stiles.

One of the kitchens is a complete working model from which customers are served clam chowder and coffee, while a nearby custom-kitchen room sports $5000 granite counter tops.

Kitchen and bath sales already account for 35 percent of total volume with 34 percent margins, and with the new store able to display 23 kitchens and 17 baths Stiles projects strong increases.

The store also offers a simple but unique installation service which handles 30 percent of the kitchen business. Once the customer has prepared for installation, Timbermart employees follow the delivery truck to the house. They hang the cabinets at a cost of between $20 and $25 per piece and receive payment upon the job's completion. Consequently, Timbermart is not involved in billing, or working with contractors or sub-contractors.

Since the Q store opened Timbermart has had to grapple with hiring and training new employees, as it expanded its workforce from 22 to 34, in an area where the unemployment rate dips below 3 percent.

Although Stiles would like to add a second store in future he feels confined by the problem of finding good managers.

"My sales would drop by between 25 and 35 percent now if I lost three key people," said Stiles. "All things are relative."

Wickes Lumber mgmt. leveraged buyout fails

(Continued from page 7)
Wickes Lumber will post 1987 sales of $1.1 billion for the year ended Jan. 31, 1988. Wickes Cos. had sales of about $6.1 billion.

Wickes Cos. would remain in the home center business after the sell-off by retaining Builders Emporium, the 122-store chain based in Irvine, Calif. Wickes Cos. also manufactures wall coverings and furnishings at Orchard Supply Hardwares and produces automotive and industrial products.

Company officials said Wickes Cos. does not plan to sell BE, which is more resistant than Wickes Lumber to economic downturns. BE, officials said, weathers economic storms because the chain does not rely so heavily upon sales of commodities.

Sigoloff is also identified with Builders Emporium by appearances in television advertisements.

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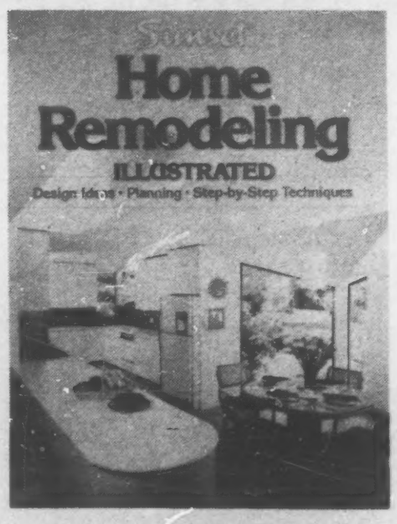

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Railroad strike wreaks havoc on New England lumber dealers

By Elizabeth Brent

NATIONAL REPORT — Democratic leaders in Maine proposed emergency legislation on Feb. 4 to allow the state to take control of the Springfield Terminal Railroad and thus end a three-month-old strike which has wreaked havoc on local shippers.

The strike has plagued New England's lumber retailers, who complain of "lost" carloads of lumber and three-month delays in shipping. Suppliers and wholesalers have felt the severest effects as they grapple with alternative and costly transport to maintain service to customers.

Dealers have already begun switching to suppliers outside New England, an effect that could last long after the strike is over. Some fear the strike may lead to the eventual demise of the railroad.

The strike is the latest in a series of labor disputes between the unions and the railroad. On Nov. 12, more than 1,000 employees walked out to protest the lack of safe working conditions, particularly the employment of improperly trained employees, following the death of a railroad employee three days earlier.

That day Robert Hopkinson, a rail worker, was killed by a runaway car in the Lawrence, Mass., railyard. On Jan. 27, Mark Mahoney, a brakeman and new employee, was crushed to death when a train derailed in the Saco, Maine, yard.

Since the first fatality, detailed inspections by the Fed-

(Continued on page 87)

B&D looks to shareholders in American Standard bid

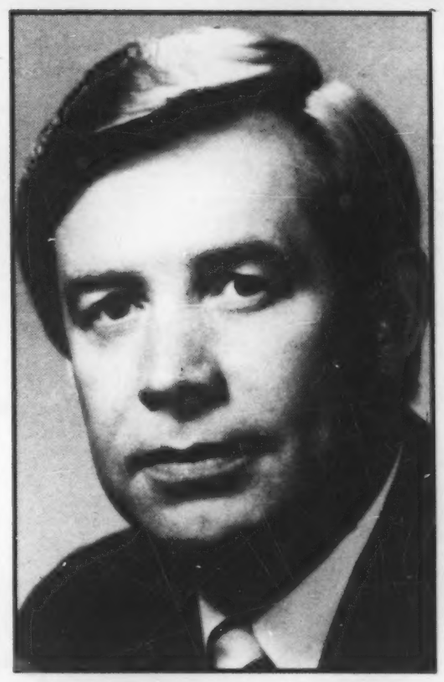
By Ariane Sains

TOWSON, Md. — Having had its sweetened offer of $65 per share spurned, Black & Decker is now seeking consent of American Standard shareholders' to take control of American's board of directors.

On Feb. 10, officials for American rejected B&D's $2.03 billion bid to take over the bath fixtures company, a bid that had been raised from an initial $1.8 billion offer ($56 per share) on Jan. 27. American told its shareholders it was exploring "all reasonable financial alternatives," including a stock buyback, a management buyout or merger to the sale of one of its properties.

The New York firm also adopted a poison pill, giving shareholders the right to purchase shares at $32.50 each (half of B&D's current offer) if any company acquires 15 percent of American's stock.

In essence, B&D, the power tool and appliance giant, is looking to defeat the poison pill, which expires March 16, and will ask American's shareholders to approve a reduction of American's board to five members from its current 10, and to elect three B&D officers—ceo Nolan Archibald, executive vp William Stevens and vp-finance Stephen Page—as board members.



Nolan D. Archibald, president and ceo of Black & Decker.

This tactic has been described as similar to a proxy battle, but does not require a shareholders' meeting.

B&D's strongest pitch is being made to arbitragers, who own 40 percent of American Standard's stock.

The takeover bid, which American's chairman William Boyd said blindsided him, (a claim B&D hotly disputes), would swell B&D's debt to more than $1.7 billion and make debt at least 80 percent of its total capital, compared to its current 42 percent level.

Because of this, both the $2 billion B&D and the $3 billion American Standard were put on Standard & Poor's Credit Watch. (B&D was to meet with S&P and Moody's Investor Service to convince them its the plan is viable and to retain its investment-grade A rating.)

B&D would reduce this debt-to-total capital level back down to 40 percent, if the deal is consummated, by selling American Standard's transportation division for $600 million, as well its as Manhattan headquarters for $20 million and assorted bits of the company for smaller sums.

In addition, B&D's ceo No-

(Continued on page 86)

Illinois-based Plywood Minn. files Chapter 11

By Gary S. Ruderman

CHICAGO — Plywood Minnesota of Illinois, the five-unit chain in the process of shifting its marketing and merchandising strategy in the heavily competitive Chicago market, has filed for protection from creditors.

Its newly remodeled Ford City unit (*NHCN*, Nov. 30, 1987) and two suburban locations were closed the first week in February, leaving the chain with just its main Chicago location and one suburban store. It closed three other units in the last two years.

President Craig Davis said the Jan. 12 filing for protection from creditors under Chapter

(Continued on page 10)

Tide may be turning on spiff payments by manufacturers

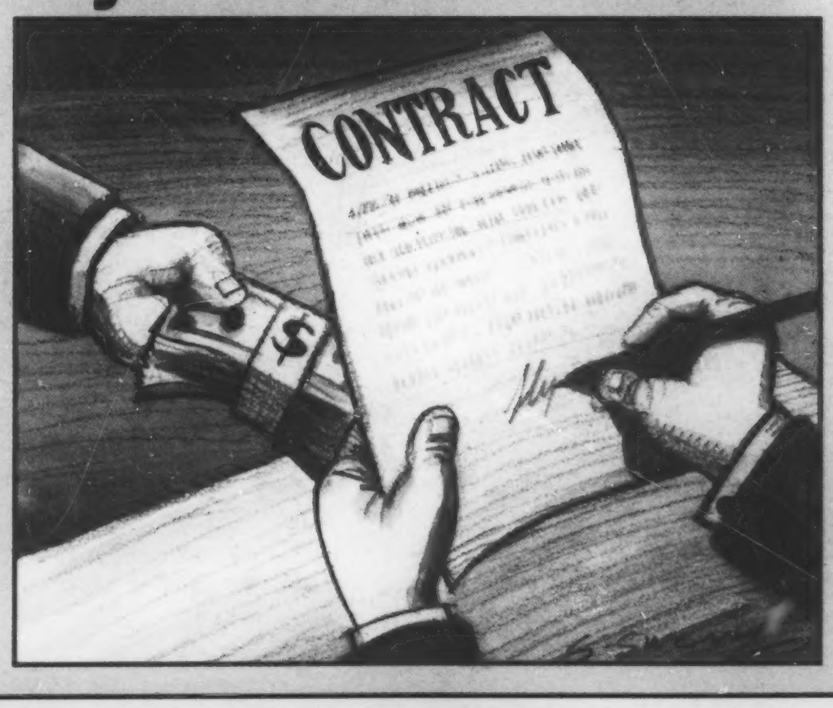
By Edward McKinley

NATIONAL REPORT — For Richard Stemper, getting a spiff from a manufacturer at a buying show is no big deal.

"I don't let a spiff influence me one way or another," said the president of Astoria Builders & Supply, a single-unit, family-owned dealer in Astoria, Ore. "A spiff is just a couple of bucks you stick in your pocket and tell yourself you're going out to dinner."

But Jim Zoller thinks the payment of money by suppliers to dealers as an incentive for a big order has too many pitfalls.

(Continued on page 86)



Police continue investigation of Strober death

By Suzanne Floyd

BROOKLYN, N.Y.— The sudden death of Eric D. Strober, chairman and ceo of the Strober Organization, was an inexplicable shock to friends and industry associates alike.

Strober's plunge from a 22nd-floor office window in midtown Manhattan on Jan. 27 remains under investigation by New York law enforcement officials.

While the motivation or even the exact cause of the fall has yet to be determined, some facts are known:

Police reported that the 46-year-old Strober had been meeting with David Bern-

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Logistics gain more attention from dealers 24

Panel offerings squeeze display space 47

Lack of info plagues new molding product acceptance 47

NEWSBREAKS

HECHINGER TO ANCHOR NEW MALL CONCEPT: Sources familiar with the chain say it will be one of 35-40 stores in the 240,000-square-foot Home and Design Center to open in Philadelphia in 1989. Hechinger declined comment.

INTERNATIONAL BUYING ORG. IN WORKS: The international division of Alliance RO-NA, Markham, Ont., is looking to form a buying organization made up of some 22 buying groups worldwide, including Cotter & Co., Hardware Wholesalers Inc. and Ace Hardware.

INDUSTRY UPDATE

Jim Walters LBO completed

NEW YORK — Kohlberg Kravis Roberts & Co. has completed its $2.44 billion leveraged buyout of Jim Walter Corp., Tampa, Fla.

The $60-a-share offer began in August, even as PaineWebber, a subsidiary of the New York investment banker, was considering a Jim Walter takeover.

PaineWebber abandoned the idea after two of its bids were rejected by Jim Walter management.

For the buyout, a group of Jim Walter managers formed Hillsborough Acquisition Corp. with KKR.

As much as $2.3 billion was made available to the group through a group of banks led by Manufacturers Hanover Trust Co. and Bankers Trust Co.

Chicago's Great Ace adds unit

CHICAGO — The Great Ace, Chicago's high-end, fashion-oriented retailer, has slated a second unit in an up and coming northside neighborhood.

The company signed a lease in the Butternut Square development adjacent to an area of intense residential renovation and commercial development, owner Phil Smiley confirmed.

Construction of the 30,000-square-foot, two-story store is underway with a June occupancy date and fall opening scheduled.

Unlike the flagship 30,000-square-foot unit, which draws more than $12 million in sales from the predominantly rental area, the new Great Ace will have a parking lot.

Dixieline adds 5th unit in 12 mos.

SAN DIEGO — Dixieline Lumber plans to open a 52,000-square-foot home center in Vista, Calif., in April, marking the fifth unit Dixieline has opened in the last year and raising its current store count to 10 units in San Diego County.

Walt Heise, the chain's vp-merchandising, said there are no plans to open additional stores in 1988, adding that "we've gone as far as we can logically go with current staffing."

The Vista facility is a former Handyman outlet.

HomeClub progress is praised

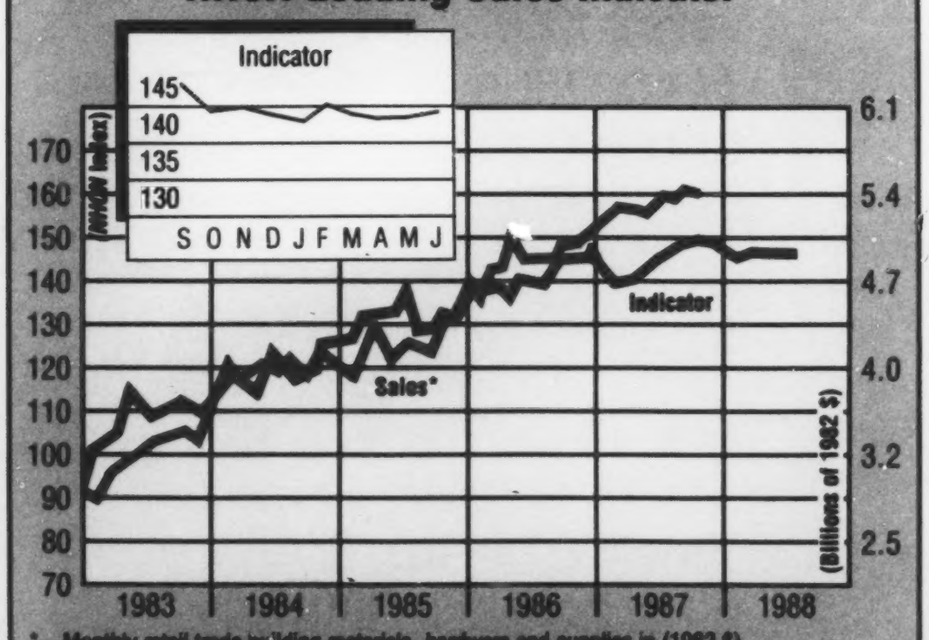
FRAMINGHAM, Mass. — Zayre Corp. chairman Maurice Segall said that he was particularly "gratified" by the "progress" made by HomeClub, the warehouse membership chain, for the fiscal year ended Jan. 30.

Segall said Zayre's warehouse segment—consisting of 36-unit HomeClub and BJ's Wholesale Club—would post operating income compared to last year's loss.

Segall added that he expects the discount department stores division to report a pretax operating loss for the fourth quarter and for its fiscal 1988 year.

The discount stores contribute about half the company's $6 billion annual sales volume.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales through the first half of 1988. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

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Stanadyne accepts $820M LBO; stifles Emhart takeover attempt

By an NHCN staff editor

NEW YORK — Stanadyne Inc. has agreed to be purchased by Forstmann Little & Co. for $820 million in a leveraged buyout, defeating Emhart Corp.'s hostile takeover attempt.

New York-based Forstmann, which specializes in leveraged buyouts, began its $55-a-share offer for Stanadyne on Feb. 5.

Emhart had originally offered $585 million or about $40 a share. Its spokesman, John Budd, confirmed that Emhart had sweetened its offer, but would not say by how much. "We may have to do this again," Budd said, "and there's no point in setting a precedent."

He said his company has no plans to pursue its bid for Stanadyne, but is actively looking for other acquisitions. "The rationale for [buying Stanadyne] didn't go away," Budd said.

On Jan. 22, Stanadyne's board had rejected the original bid and urged stockholders not to tender their shares.

On Feb. 2, Stanadyne announced the Forstmann Little deal. Sources close to Stanadyne confirmed that there were other bidders for the company, but would not name them.

Under the terms of the buyout agreement, Stanadyne's existing management will remain. Brian Little, a partner in Forstmann Little, told *NHCN* that his firm was impressed with Stanadyne's managers.

The agreement also gives Forstmann Little the option to purchase 33.5 percent of Stanadyne's stock in a block from trusts established through the will of Beatrice P. Delany, whose family was one of the company founders.

Little said the firm would exercise the option only if a competing offer were made.

Two Payless senior executives resign

By an NHCN staff editor

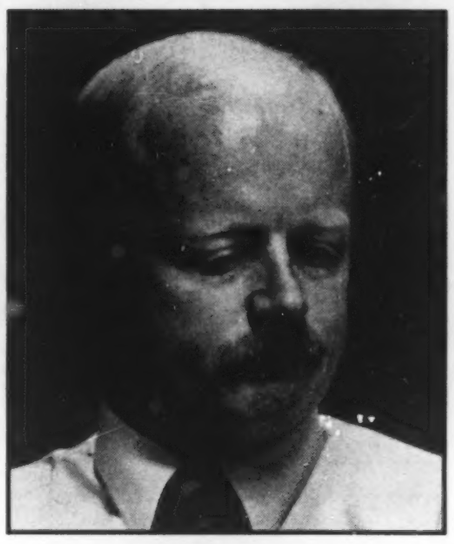
KANSAS CITY, Mo. — Two more senior executives of Payless Cashways have resigned to seek positions elsewhere.

Brad Talley, vp of management information, left the 195-unit retailer Jan. 29. John Woodfill, vp and treasurer, left the company late last year.

Last September, in a management reorganization, senior vp of operations Larry Koeppen and senior vp of merchandising John Breedlove left the firm.

Talley's resignation came as no surprise, according to Payless chairman David Stanley.

"When Brad joined us in 1982, he said that he planned to return to his home in Florida when the job here was complete," Stanley explained in a prepared statement.



John Woodfill, former vp and treasurer of Payless Cashways. NHCN photo

Last fall Talley told Stanley he was ready to make the move but agreed to stay through year end.

Leaves to become cfo

Woodfill, who joined Payless in 1972, left to "achieve his goal" of becoming a chief financial officer, Woodfill told *NHCN* from his home.

He has since secured a cfo position outside of the industry. Woodfill said the recent shifts at Payless were part of the normal changes at a large corporation.

Talley came to Payless from the Florida-based Scotty's chain and was elected to the Payless vp post in 1985.

Talley could not be reached for comment on his future plans.

Salinas-based Hayward buys San Luis Mill

By an NHCN staff editor

SALINAS, Calif. — Six-unit Hayward Lumber has acquired San Luis Mill & Lumber in San Luis Obispo, Calif., for an undisclosed price, president Homer M. Hayward said.

Hayward Lumber, which operates full-service lumberyards in Pacific Grove, Carmel, Salinas, Hollister, Paso Robles and Morro Bay, is not affiliated with Claremont, Calif.-based Hayward Lumber, which operates 16 home centers primarily in the California desert.

In another company development, Salinas-headquartered Hayward held a grand opening in February of its renovated Paso Robles store, which has been expanded by 6,000 square feet.

Supply One sets sights on Calif. for expansion

By an NHCN staff editor

RANCHO CORDOVA, Calif. — Supply One, the four-year-old home center company founded by the Steiner-Levi family partnership, is scouting possible sites for expansion in California, said president Jay Steiner.

"We will look for opportunities in California," Steiner told *NHCN*, noting that the retailer—which now has units in Oregon and Nevada—had been unable to open units in the Golden State because of a five-year noncompete clause with Payless Cashways that expired in January.

That clause went into effect when the Steiner-Levi family sold their Sacramento-based, 11-unit Lumberjack chain to Payless Cashways in 1983.

Jay Steiner, president, says that Supply One is planning to expand into Calif. NHCN photo

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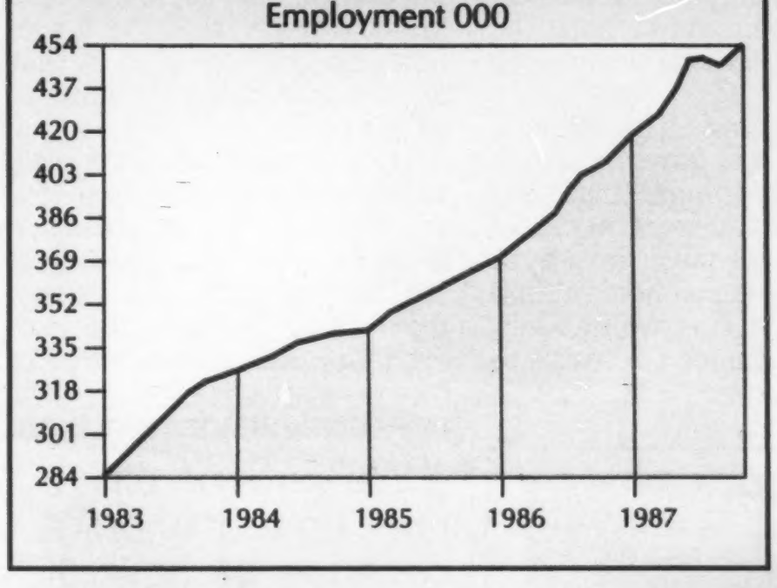
Business Watch

Section 4

Slow Wall Street-type employment



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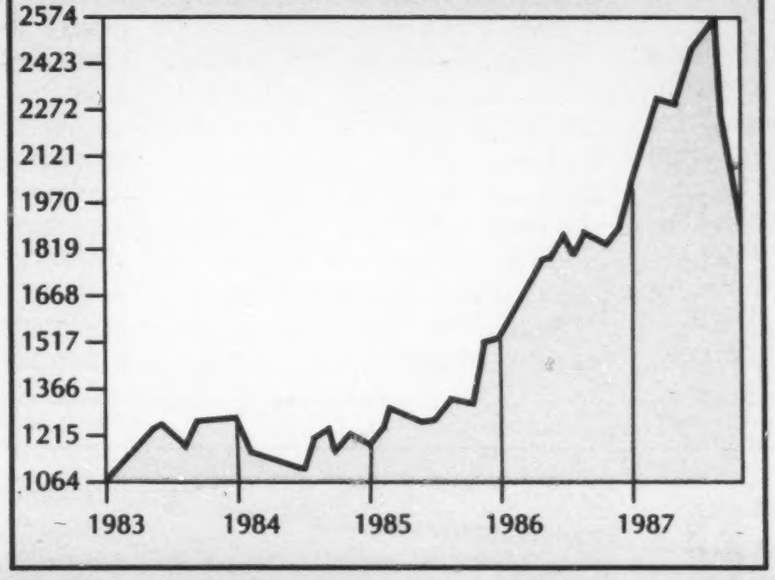

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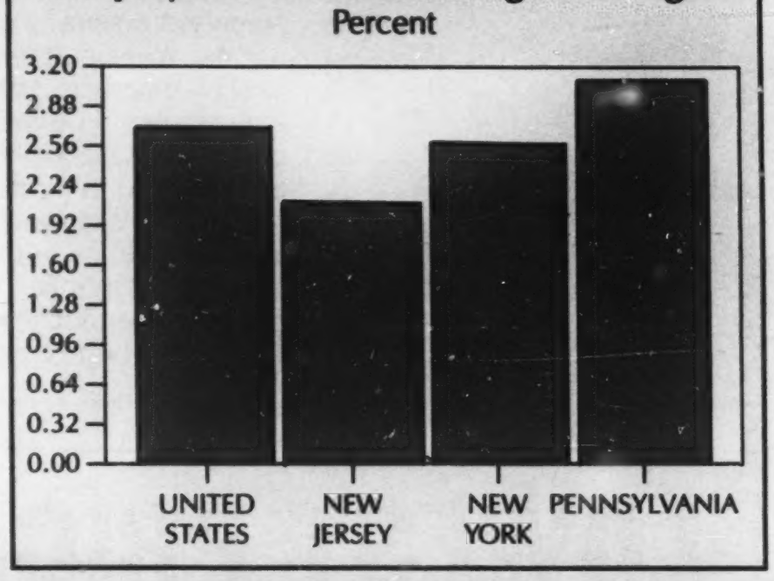


Middle Atlantic sales to drop after posting record performance

By Richard E. Mount
Special to NHCN

Building materials sales in the Middle Atlantic states are likely to decline 5 percent in dollar volume in 1988 as the growing weakness in financial services employment continues.

While sales could be down slightly in 1988, this follows a record 1987 performance in which sales increased 21 percent, the strongest in the nation.

The Middle Atlantic states, especially New Jersey and New York, were star performers until recently.

Financial and business services' employment rose rapidly in these states. The communications industry also expanded from the multitude of new products and the increased number of firms following the breakup of the telephone company.

Richard E. Mount

Employment in the Wall Street area declined in January 1988, down about 15,000 persons, with further cuts expected. While recent announcements have made headlines, employment in financial firms and for commodities brokers has been largely unchanged over the past six months.

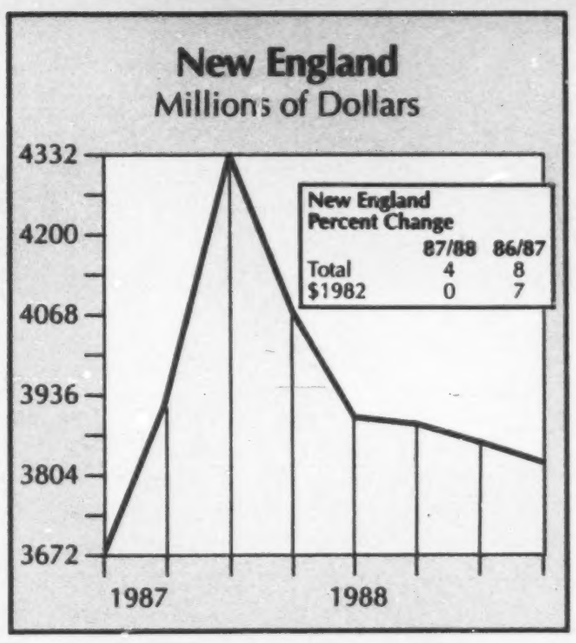
Mergers of financial institutions caused sharp reductions in the number of total employees, and the new tax law makes municipal bonds less attractive, causing many firms to reduce or eliminate entire municipal bond departments.

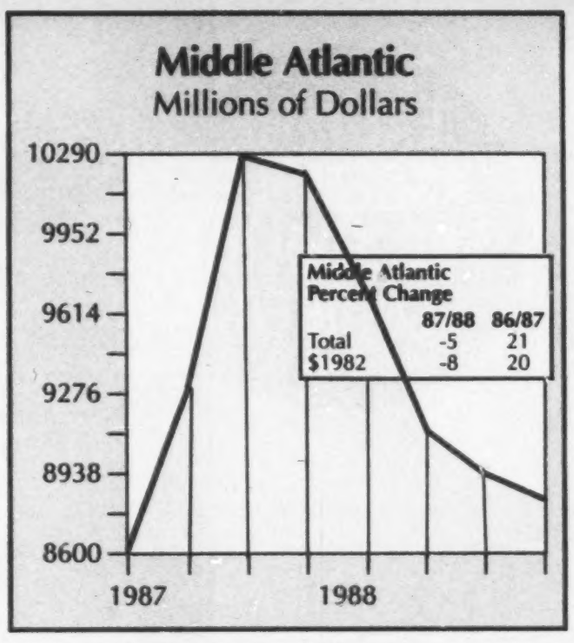
While building materials sales near the New York City metropolitan area will suffer from the fall in employment, most other parts of the state will remain strong.

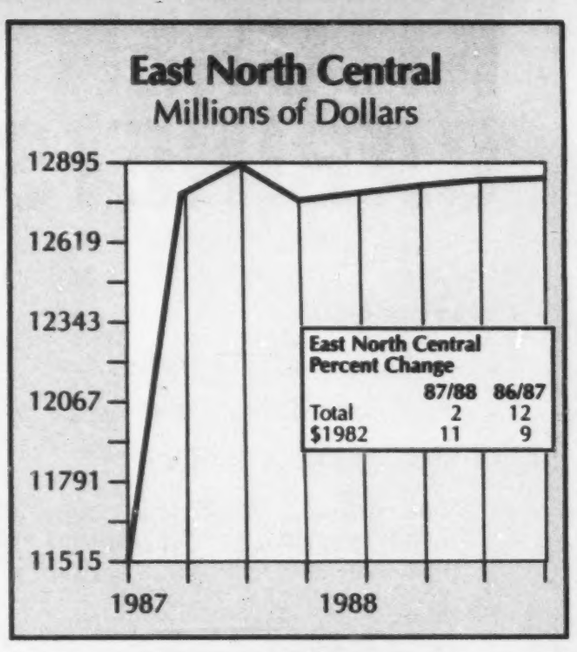
The anticipated decline in regional building materials sales is probably more of a minor correction than a major retrenchment. With much of this outlook dependent upon possible future reductions in financial services employment, the risk to the forecast is that the region might be stronger.

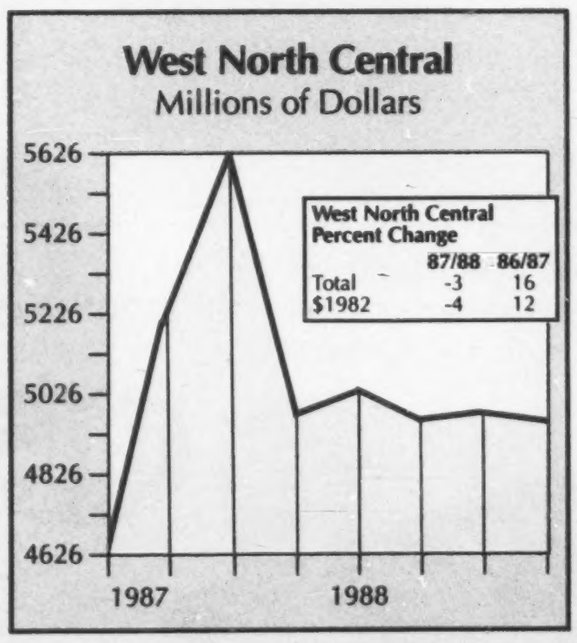
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

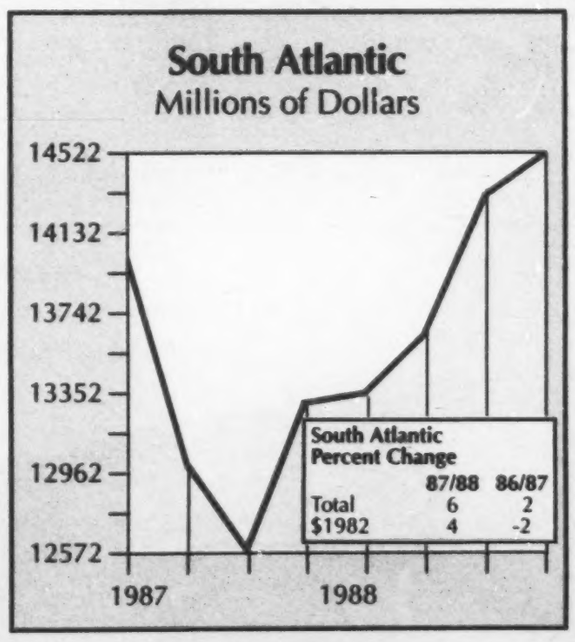
Regional Outlook: Building Material Sales

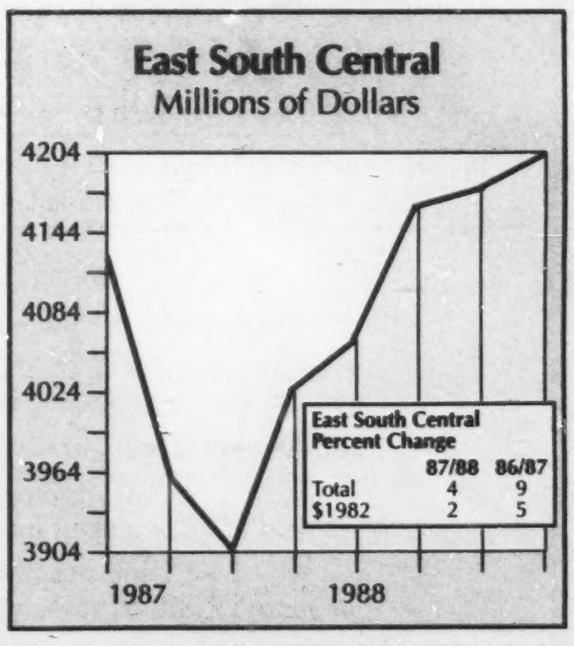


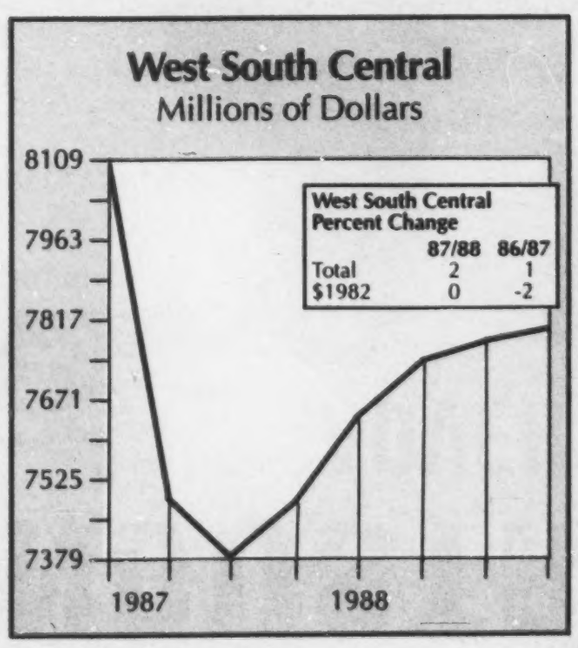


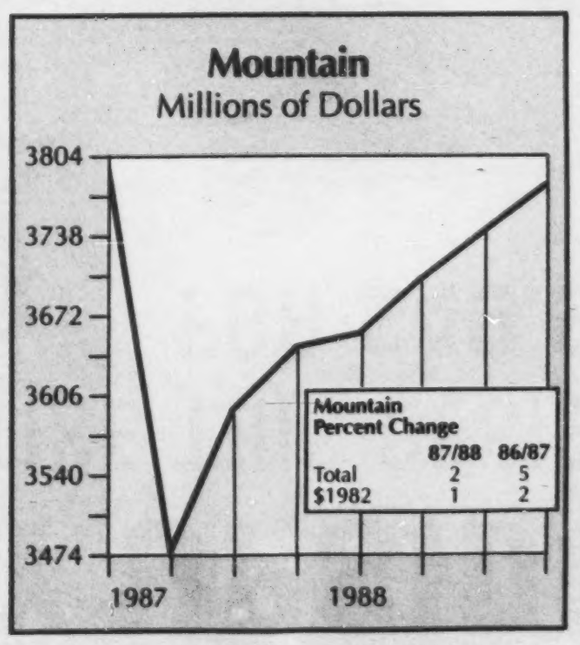


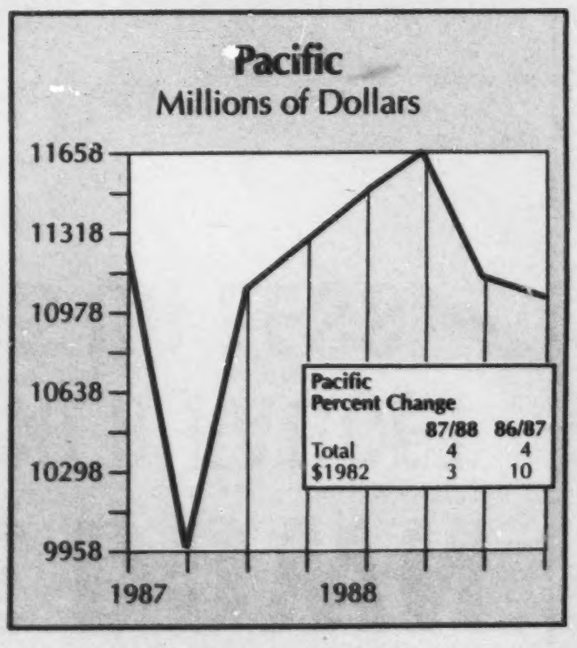












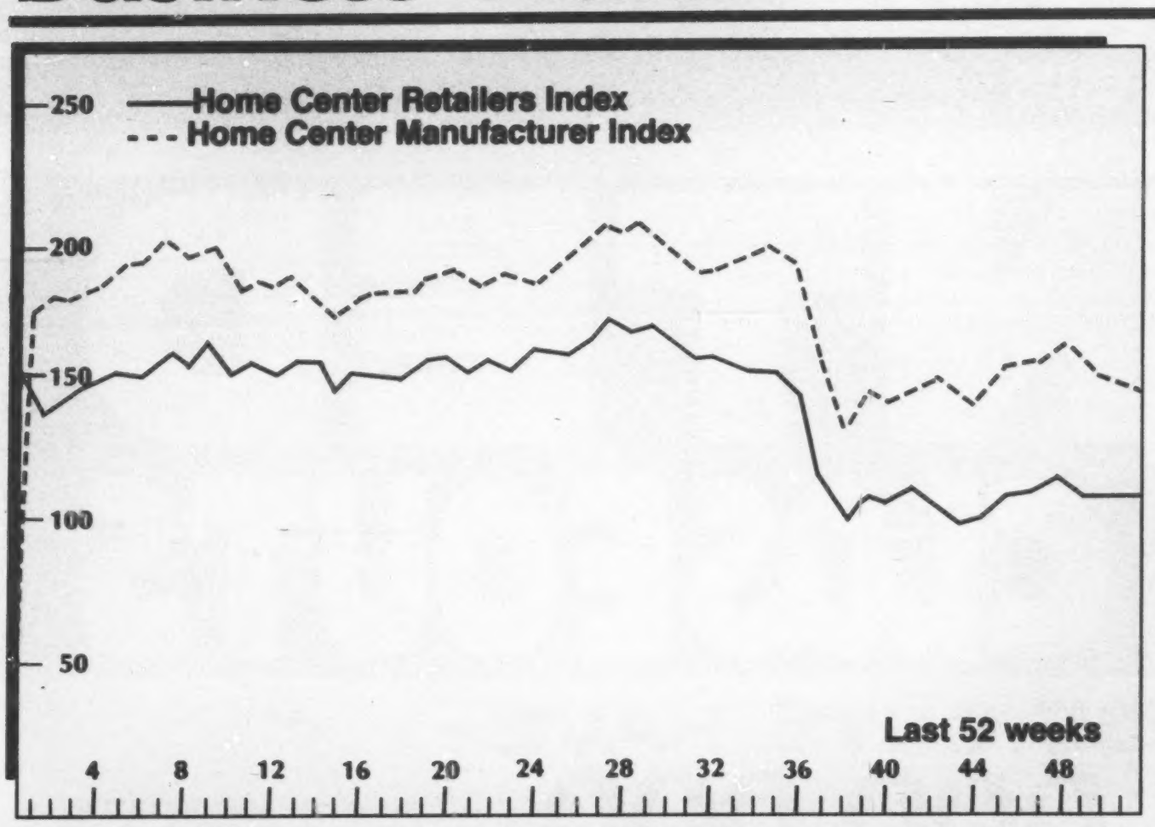
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Winners make strong showing

This week showed impressive gains by most stocks in the home center industry, with gainers outnumbering losers nearly five to one for the week ending Feb. 5. Of the 57 stocks tracked for *NHCN* by Media General, 46 gained, 10 lost and only one remained unchanged.

Most notably among retailers, Strober Organization showed a 9.4 percent drop as a reaction to the death of Strober chairman Eric Strober. It closed at $7.25. General Building Products continued to decline, down 5.6 percent to $4.25. Zayre and Grossman's recouped some losses, up 21 percent and 19.1 percent respectively, although neither regained the level of their two-week high. Payless Cashways gained 13 percent after a minor loss during the last reporting period.

All wholesalers gained, with Stanline showing a huge 34.7 percent surge as a result of a takeover attempt by London-based Bunzl PLC. Hughes Supply continued to gain, closing in on its 52-week high.

Most of the losers for this reporting period were among the manufacturers. But this category had some of the largest gainers as well, with American Standard grabbing a whopping 75 percent increase to close at $63.88, close to its 52-week high of $64.25, as a result of a hostile takeover bid by Black & Decker. Ironically, Black & Decker registered a 5 percent drop during this reporting period. Weyerhaeuser continued to climb, albeit slowly, up 2 percent, and Union Camp posted a .8 percent gain.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-05-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Period	Date Ended	Latest Quarter: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.	Year-to-Date: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	4.25	- .25	- 5.6	4.75	4.25	12.50	4.00	102	.26	.89	- 70.8	7.3	.00	.0	NEW	fiscal	11-87	18.1	9.0	.3	- 57.1	.10	- 56.5	67.6	17.8	2.1	5.0	.58	- 13.4
Grossmn's Inc M	7.00	1.13	19.1	7.13	6.00	11.25	4.13	17,864	6.84	2.40	185.0	13.2	.00	.0	NEW	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A M	19.00	2.00	11.8	19.50	16.75	26.50	14.25	8,312	7.60	2.46	208.9	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.25	1.75	10.0	19.25	16.75	26.75	15.50	507	.32	.20	60.0	16.5	.06	.3	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	39.1
Home Depot N	20.13	1.75	9.5	20.38	17.88	28.09	12.13	14,211	2.89	1.58	82.9	20.3	.08	.4	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc N	36.63	1.25	3.5	37.88	35.38	54.00	29.50	6,130	1.55	1.00	55.0	10.3	1.60	4.4	.....	9 mos.	11-87	924.0	22.0	43.5	46.0	1.05	11.7	2548.3	29.9	108.4	60.4	2.57	20.1
K mart Cp N	32.00	1.13	3.6	32.75	30.38	48.38	21.63	46,233	2.29	1.33	72.2	9.7	1.16	3.6	.....	9 mos.	10-87	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos N	18.38	.88	5.0	19.75	17.63	32.75	15.25	11,654	2.94	1.39	111.5	11.7	.44	2.4	.....	9 mos.	10-87	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Natl Hardgoods M	4.75	.25	5.6	5.00	4.38	10.00	3.75	320	2.36	1.06	122.6	7.2	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber M	3.00	.00	.0	3.50	3.00	7.50	2.75	221	.39	.49	- 20.4	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak N	14.13	.38	2.7	14.13	13.25	21.50	11.50	694	.69	.55	25.5	13.2	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash N	13.00	1.50	13.0	13.38	11.50	26.88	9.63	20,914	6.04	1.91	216.2	16.0	.16	1.2	.....	fiscal	11-87	457.3	13.3	- 2.7	- 100.0	- .08	- 100.0	1768.1	15.9	28.1	- 33.7	.81	- 33.6
Scotty's Inc N	12.88	.25	2.0	13.88	12.50	15.88	10.00	1,095	.75	.51	47.1	16.7	.52	4.0	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck N	34.25	.75	2.2	34.88	32.75	59.50	26.00	73,464	1.94	.96	102.1	7.9	2.00	5.8	.....	9 mos.	09-87	12193.2	9.1	409.0	24.7	1.08	22.7	34391.2	9.8	1087.3	34.5	2.86	31.8
Std Brd Prt N	12.50	- .50	- 3.8	13.25	11.88	31.88	11.88	3,961	3.52	1.48	137.8	9.1	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz M	7.25	- .75	- 9.4	7.75	6.25	15.25	6.25	2,201	3.62	.72	402.8	7.9	.00	.0	.....	9 mos.	09-87	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos N	9.25	- .50	- 5.1	10.13	8.75	25.00	7.25	10,396	2.17	2.77	- 21.7	3.7	.00	.0	.....	9 mos.	10-87	NC	NC	- 18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	- 85.2	2.62	74.7
Wolohan Lumber M	10.75	1.38	14.7	11.00	9.38	18.75	8.75	1,641	2.80	1.11	152.3	7.9	.24	2.2	.....	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp N	18.00	3.13	21.0	19.88	15.50	37.00	13.50	75,722	13.35	3.52	279.3	6.5	.40	2.2	.....	9 mos.	10-87	1601.7	21.7	21.2	- 7.4	.37	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																													
Hughes Supply N	26.00	1.00	4.0	26.63	24.88	30.25	19.75	380	1.14	.87	31.0	10.4	.40	1.5	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley M	4.38	.38	9.4	4.75	3.75	9.75	3.75	69	.28	.91	- 69.2	16.8	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer M	6.88	.25	3.8	7.13	6.75	9.88	5.75	1,166	2.90	1.63	77.9	18.1	.28	4.1	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc M	12.63	3.25	34.7	13.00	9.25	13.31	6.19	902	5.06	.75	574.7	11.7	.32b	2.5	.....	fiscal	10-87	17.9	12.6	.5	.0	.32	6.7	64.9	8.7	1.9	18.8	1.08	22.7
Manufacturers																													
Am Consum Prods M	11.25	.25	2.3	11.25	10.25	14.25	7.88	13	.06	.40	- 85.0	18.4	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard N	63.88	27.38	75.0	64.25	36.25	64.25	30.50	125,404	40.17	4.35	823.4	15.3	1.80	2.8	NEW	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark M	9.13	- .13	- 1.4	9.38	8.75	17.13	6.50	509	.74	.44	68.2	9.9	.00	.0	.....	6 mos.	10-87	34.3	7.5	2.4	4.3	.35	6.1	66.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld N	33.63	3.13	10.2	34.88	30.25	47.38	22.50	24,015	5.12	1.55	230.3	10.6	.90	2.7	NEW	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker N	19.88	- .63	- 3.0	22.00	17.75	26.50	13.00	86,872	14.88	2.54	486.8	18.1	.40	2.0	NEW	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade N	40.50	1.13	2.9	41.50	39.13	52.13	28.81	15,598	3.42	1.83	86.9	10.9	1.20	3.0	NEW	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed N	28.63	3.13	12.3	28.75	25.13	45.75	24.13	1,578	.83	.39	112.8	8.9	1.00	3.5	NEW	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl N	31.63	- .25	- .8	33.25	30.50	44.63	21.75	33,113	3.48	1.92	81.3	7.8	.80	2.5	NEW	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl M	8.00	.13	1.6	8.00	7.00	18.25	5.00	111	.22	.71	- 69.0	13.8	.00	.0	NEW	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus N	54.50	1.13	2.1	56.38	53.50	74.50	39.00	7,649	1.56	1.31	19.1	15.7	1.68	3.1	NEW	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc N	25.50	1.13	4.6	25.63	23.25	43.75	21.00	660	1.66	1.77	- 6.2	9.6	1.40	5.5	NEW	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Emhart Corp N	20.25	1.13	5.9	20.25	18.75	26.63	15.50	6,499	1.04	.68	57.6	11.9	.80	4.0	NEW	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific N	35.75	2.88	8.7	35.75	33.00	52.75	22.75	32,451	3.06	1.75	74.9	8.5	1.20	3.4	NEW	fiscal	12-87	2229.0	25.2	112.0	34.9	1.07	42.7	8003.0	19.1	458.0	54.7	4.23	57.2
Insilco Corp N	17.00	.63	3.8	17.25	15.88	28.13	14.00	5,640	2.70	1.26	114.3	9.9	1.09	5.9	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific N	27.88	1.63	6.2	28.25	26.25	39.75	21.50	6,476	1.69	1.04	82.5	8.5	.80b	2.9	NEW	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel M	15.00	- 1.00	- 6.3	15.88	14.88	23.50	12.00	6,442	- .63	.58	8.6	NA	1.10	NA	.....	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp N	2.38	- .13	- 5.0	2.75	2.38	5.38	1.88	3,617	1.51	1.30	-16.2	.5	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp N	25.13	1.38	5.8	26.50	23.13	40.88	18.75	32,421	2.45	1.18	107.6	13.7	.40	1.6	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds M	6.75	- .25	- 3.6	7.75	6.75	14.38	5.50	349	1.40	.47	197.9	NE	.01	.1	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co N	32.88	3.88	13.4	33.50	28.13	43.00	21.13	3,292	2.85	1.04	174.0	12.0	.84	2.6	NEW	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Nortek Inc N	7.75	.13	1.6	8.25	7.38	17.38	5.00	4,537	2.88	1.79	60.9	12.9	.10	1.3	.....	9 mos.	09-87	382.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn N	16.75	.13	.8	17.00	16.13	32.38	9.00	9,786	2.61	2.27	15.0	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	11.50	.63	5.7	11.50	10.00	18.13	9.00	3,722	3.33	1.34	148.5	10.4	.12	1.0	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot N	18.88	1.88	11.0	19.50	16.38	27.25	9.75	4,726	3.93	2.35	67.2	8.1	.50	2.6	NEW	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	37.6	28.1	77.8	2.33	76.5
Potlatch Cp N	26.88	1.38	5.4	27.38	25.50	41.88	21.00	4,493	1.68	.78	115.4	8.6	.92	3.4	NEW	fiscal	12-87	252.7	3.9	24.9	23.9	.90	25.0	992.1	1.6	87.6	25.3	3.13	25.7
PPG Inds N	33.25	.88	2.7	35.25	32.00	53.50	27.50	24,074	2.02	.99	104.0	10.4	1.20	3.6	NEW	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms N	28.75	3.13	12.2	29.25	25.88	38.50	20.13	6,153	1.38	.75	84.0	11.5	.56	1.9	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works N	25.75	1.00	4.0	27.63	24.75	36.63	21.25	5,039	1.16	.47	146.8	12.9	.88	3.4	NEW	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	7.5
Thos Inds N	18.38	1.38	8.1	20.00	17.13	21.53	13.81	1,981	1.89	.47	302.1	12.3	.65b	3.5	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.36	71.4	241.4	9.4	12.3	28.1	1.18	28.3
Triangle Ind N	24.63	.38	1.5	24.75	23.13	44.00	22.50	5,308	2.34	1.38	69.6	11.0	.12	.5	.....	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp N	33.13	.25	.8	34.00	32.38	40.13	26.00	15,693	2.13	1.14	85.8	11.7	1.16	3.5	NEW	fiscal	12-87	809.8	14.0	59.0	37.9	.81	39.7	2307.8	12.8	237.5	59.7	2.83	39.9
USG Corp N	28.13	1.13	4.2	29.88	26.25	55.88	23.50	15,670	3.04	2.02	50.5	7.1	1.12	4.0	NEW	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 84.5	2888.1	6.4	204.3	- 9.4	3.96	11.9
Wausau Ind M	9.88	1.00	11.3	10.00	9.13	13.25	7.33	2,762	4.38	2.29	91.3	12.3	.10	1.0	NEW	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser N	38.00	.75	2.0	38.75	35.88	60.00	19.00	34,848	2.56	1.24	105.6	11.9	1.50	3.9	NEW	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6988.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

"Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Rail strike wreaks havoc on New England lumber dealers

(Continued from page 1)
eral Railroad Administration (FRA) into safety violations have led to the withdrawal of a number of engines for repair, further disrupting service.

Guilford Transportation Industries, Springfield's parent, maintains that the union's allegations of safety violations were only a pretext for the walkout. It contends that the strike is illegal and an attempt by the unions to change workers' contracts.

Democratic legislators in Maine proposed that the state seize control of the railroad through eminent domain and sell or lease it to someone else, possibly another railroad or the rail workers themselves. Gov. John R. McKernan Jr., however, is concerned that this bill could saddle taxpayers with the price of the rail line, estimated to be more than $100 million, if a buyer can't be found and the state itself assumes ownership.

The Springfield Terminal Railroad operates the central Maine and Boston-Maine lines. It is the dominant rail-freight carrier in Maine and handles approximately half the rail freight in Massachusetts in direct competition with ConRail.

Guilford also operates the Delaware-Hudson line linking the Albany, N.Y., area with Buffalo and Canada. Although the Delaware-Hudson is not directly involved in the strike, it has had a severe reduction in services, too.

"Guilford is not a very large railroad, but it is an important system and there just aren't many alternatives," said Tom Santella, eastern transport manager for Weyerhaeuser. "To put that business on other railroads or truck the product overburdens the system."

Independent Curtis Lumber, Ballston Spa, N.Y., relies on the Delaware-Hudson line for 50 percent of its lumber, plywood and sheet good supplies. Curtis now has to ship lumber via ConRail to Guilderland, near Albany, unload it and then truck it to its stores, according to Fred Voeringer, vp at Curtis.

"We won't buy out of Maine or the West Coast as for each $25,000 carload we have to pay an extra $1000 in handling," explained Voeringer, whose company has switched to Canadian suppliers.

Hancock Lumber, Casco, Maine, is now using the Canadian National Railway to bring in lumber, but finds that in the last four months this has backed up with all the increased business, according to Ralph Sama, executive vp.

"I can see major problems when everybody begins to demand their spring materials," said Don Dyer, retail manager at Fox Lumber in Portland, Maine, who is sharing the South Paris, Maine, reload center with other dealers.

Grossman's found a temporary scarcity of plywood at its locations served by the Boston-Maine railroad. But now most suppliers have found alternative routes, according to David Mayberry, manager of investor relations for the Braintree, Mass.-based chain.

Snafus for distributors

Lumber wholesalers are attempting to "eat the extra costs" of alternative transport because the market is so competitive.

Furman Lumber, a Boston commodities distributor, has been unable to service its new Portsmouth, N.H., distribution center by rail since it opened in December. Instead, it is rerouting cars from Binghamton, N.Y., via ConRail to its Attleboro, Mass., DC and then trucking the lumber north into New Hampshire.

"This is no way to run our new $3 million facility," said Scott Green, manager of Furman Lumber's Portsmouth DC, who fears testing the railroad because of the value of the freight involved.

ENAP, the cooperative buying group in New Windsor, N.Y., has found its cars erroneously routed onto the Guilford line from ConRail.

"The whole thing is a mess and a costly operation for New England," said Dick Paris, traffic manager at ENAP.

Weyerhaeuser had an embargo put on its Woburn, Mass., distribution center by Guilford, meaning no rail freight shipments in or out.

The embargo was enacted because Guilford was unable to find qualified crews who could operate the trains that run over the high speed commuter lines, according to Colin Pease, vp-government affairs at Guilford.

Dispute termed 'destructive'

Dealers in New Hampshire and Maine report that service is starting to resume, but inventory is arriving sporadically.

Guilford has hired 600 replacement employees. But it is now having to adhere to strict FRA recommendations for greater rules-training of engineers.

"In an effort to fill vacancies created by the strike and remain in normal operation, management has in a number of cases pressed into service newly hired engineers whose training and experience does not meet the levels we deem acceptable for an operation of this nature," said John H. Riley, administrator at the FRA in a December report to the unions and management.

It appears that the Springfield Terminal's railway problems will not be easily solved as the gap between management and union continues to widen.

The FRA reported 21 instances of sabotage and vandalism in the first month of the strike.

"The conflict is destructive to the unions, the railroad, and ultimately the Northeast," said Marty Feuer, president of East Coast Lumber, East Hampstead, N.H.

John Brill, executive vp of the Northeast Lumbermen's Association concurred: "The fear is that the railroad might be going right out."

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Vol. 14, No. 4 February 22, 1988

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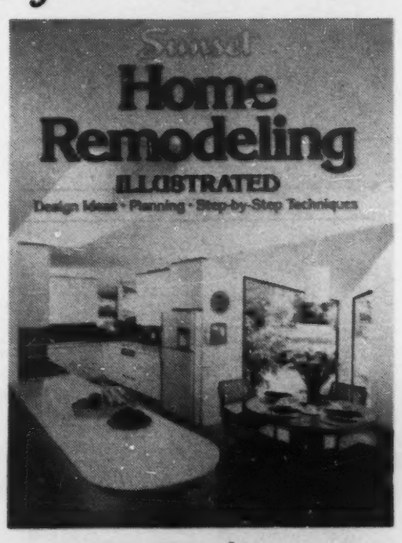

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National Home Center News®

Vol. 14, No. 5 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. March 7, 1988

Manufacturers race to build first plant for new gypsum

By Milford Prewitt

BOSTON — Furman Lumber and Louisiana-Pacific Corp. are racing to be the first to build a mill to produce a new type of gypsum wallboard which company planners insist will radically change the nature and current end uses for drywall.

Harry Merlo, president and chairman of L-P in Portland, Ore., told *NHCN* that his company expects to break ground this month in an undisclosed location to build a plant to make its new gypsum.

Hawk Furman, president of the Boston-based Furman Lumber, a national distributor, said it will break ground this spring in East Providence, R.I., to construct its plant to make the new board.

Furman said the new board is "superior in every way" to conventional gypsum drywall and may one day surpass it in construction.

In one significant way, Furman will beat L-P to the draw. Furman said a new mill in Holland will begin shipping the product to Furman Lumber exclusively as early as April.

Although both executives said the products they will introduce stem from a similar gypsum panel used in Europe, both L-P's and Furman's drywall products are different from the European version and different from each other.

Merlo said L-P's product

(Continued on page 30)

Vice President George Bush swapped a tie tack for an East Coast Lumber cap with Brian Lowe, son of the company's vp Steve Lowe. Photo courtesy East Coast Lumber

Bush stops in for a few mouse traps in N.H.

By an NHCN staff editor

EAST HAMPSTEAD, N.H.— Vice President George Bush paid an impromptu visit to East Coast Lumber while campaigning for the New Hampshire primary last month.

Bush, accompanied by three cars of secret servicemen, dropped in unexpectedly at the main yard of the three-unit independent on Feb. 11. He spent about an hour chatting with employees and touring the 45-acre facility.

He showed his expertise on the company's Calmar fork-

(Continued on page 235)

Thornton named chief executive at Goodbuys

By Elizabeth Brent

PHILADELPHIA — Thomas J. Thornton has been appointed chief executive officer for Mr. Goodbuys, the 13-unit chain here whose control has taken a turn in recent weeks.

Vendex International now has a majority stake in Mr. Goodbuys. The international arm of the Dutch retailing giant Vroom-Dreesmann increased its holdings of the company's stock to over 50 percent on Feb. 2.

The founders of the company, Steven Erlbaum and Daniel Neduscin, now hold a minority interest in the company, according to Albert

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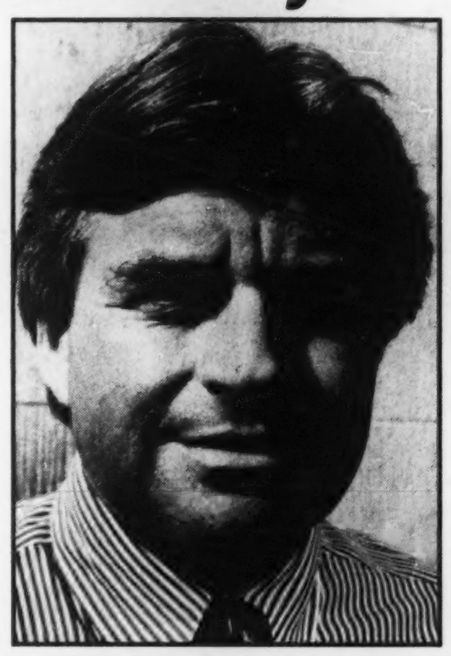

Thomas Thornton, ceo of Mr. Goodbuys. NHCN photo

Businessmen fight to save Ala. wetlands

By Suzanne Floyd

MOBILE, Ala. — It's land they've used for fishing, hunting and other recreation since they were children.

And now local businessmen have banded together and are working with a federal environmentalist to preserve the Mobile-Tensaw delta here from development.

They are making this effort—which has taken the form of their buying up property and converting it into protected areas—even

(Continued on page 235)

Ernst to renovate all units by August; effort designed to boost sales by 30%

By Brad Altman

SEATTLE — A "Grand Opening of the New Ernst" promotion has been kicked off to mark the remodeling and remerchandising of more than 40 Ernst Home & Nursery stores in western Washington.

The Ernst remodeling effort, intended to increase the 70-unit chain's sales volumes by over 30 percent, was set to be introduced to the public on March 3 in an advertising campaign kickoff that features television, radio, billboards, institutional newspaper spots and a wide variety of printed pieces (circulars, sales books, etc.).

Ernst will remodel its remaining stores in eastern Washington, Utah, Montana, Idaho, Nevada and Wyoming by August.

The remodel program is expected to set Ernst apart from other DIY dealers by differentiating it from the warehouse format now making inroads in this highly fragmented market.

Ernst considers itself a specialty retailer and is virtually 100 percent consumer-driven while two of its newest competitors, Builders Square and HomeClub, are discount-oriented and rely on contractors for a double-digit percentage of sales.

Ernst's chief executive officer Hal Smith expects to see

(Continued on page 98)

The bath department is one of the focal areas in Ernst Home & Nursery's new Bear Creek prototype in Redmond, Wash. The chain expects to remodel all 70 of its stores by August. NHCN photo

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NEWSBREAKS

USG GETS ANOTHER TAKEOVER OFFER: The nation's largest gypsum producer received a bid of $42 per share, or $2.16 billion, from Desert Partners, a limited partnership that currently holds about 10 percent of USG's stock. Analysts expected USG to reject the offer.

HANCOCK LUMBER EMPLOYEE KILLED: Greg Whitehouse, 37-year-old yard foreman at the chain's Casco, Maine, store, was crushed by a truck backing into a loading bay on the morning of Feb. 24. He died instantly.

INDUSTRY UPDATE

Houston Lumber opens plant

LAS VEGAS, Nev. — Houston Lumber has completed a $3 million floor and roof truss plant and a commercial and residential door facility here.

Rick Barkemeyer, manager of the truss division of Houston Lumber's new 10-acre truss plant, said the expansion was necessary because Houston Lumber's existing three-acre yard on Bonanza Road was too small.

The truss plant operates two shifts per day and employs 300 persons. Houston Lumber continues to operate a combination home center retail store and contractor yard on Commerce Street.

Houston Lumber is part of the A.C. Houston Lumber Co. of Wichita, Kan., which operates 11 lumberyards in five states—New Mexico, Idaho, Colorado, California and Nevada. Its 1986 sales are estimated at $75 million, of which 80 percent of the volume was generated by contractors.

HomeClub adds Tacoma unit

FULLERTON, Calif. — HomeClub said it would open a 103,689-square-foot unit in Tacoma, Wash., in mid-April, marking its third warehouse to open in the Puget Sound area.

The warehouse, at 1913 S. 72nd St., is near a Builders Square, which has only one unit in Washington. HomeClub also has units in Kent and Lynnwood, both Seattle suburbs. The new outlet raises HomeClub's count to 37 units in six Western states.

Railway fined for safety violation

NATIONAL REPORT — The Federal Railroad Administration (FRA) is levying fines of $734,900 against Guilford Transportation Industries (GTI) for safety violations between 1984 and 1987.

Guilford is the parent company of the Springfield Terminal railroad which operates the Maine central and Boston-Maine railroad and is now coping with a strike by its workers over safety problems (*NHCN*, Feb. 22).

These fines, however, relate to the period before the strike, and concern safety infringements including handling of equipment; condition of freight cars and locomotives; and track defects.

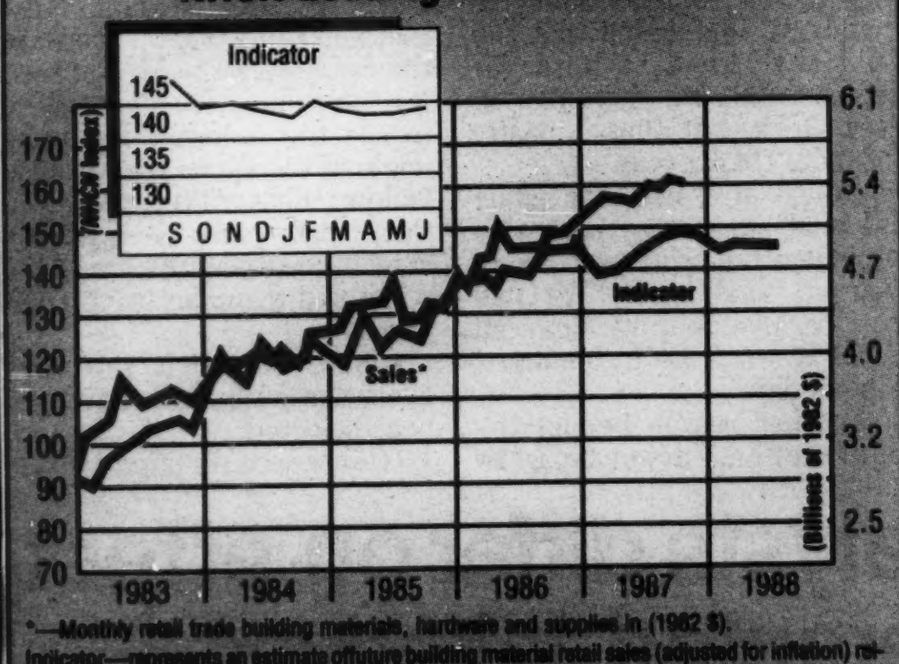
Since Guilford failed to respond to a negotiated settlement the FRA has referred the case to the Department of Justice for suit.

This is the first time that the FRA has sued a railroad for an entire group of cases, as opposed to an occasional case involving an unresolved dispute of fact or law.

The total amount includes $393,900 for previously negotiated claims and a second amount for $341,000 on claims that haven't been subject of settlement negotiations.

"There is no reason to believe, based on Guilford's record to date, that negotiations on this second group of cases would be any more fruitful than those on the first," wrote John H. Riley, administrator at FRA in a letter to David Fink, GTI's president.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

Softness in housing starts points to a decline in building materials sales in the first half of 1988. Resales will remain strong in 1988.

(See Business Watch column on page 187.)

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Available for calls 9-5:30 (E.S.T.)

John Creighton Jr. is appointed president of Weyerhaeuser Co.

By an NHCN staff editor

TACOMA, Wash. — John W. Creighton Jr. is slated to become the next president of Weyerhaeuser Co., the $7 billion forest products company here. Creighton, currently the firm's executive vice president, would replace president and chief executive officer George H. Weyerhaeuser, who will become chairman and ceo.

The management changes were made because the 72-year-old Robert B. Wilson is retiring as chairman and a company director at Weyerhaeuser's annual shareholder's meeting April 21. Wilson had been chairman since 1976.

Creighton, 55, will be responsible for all operating units. He joined Weyerhaeuser in 1970 and has been president of its Real Estate Co. A company press release said Creighton has been responsible for the company's diversified and specialty building products and its financial services businesses.

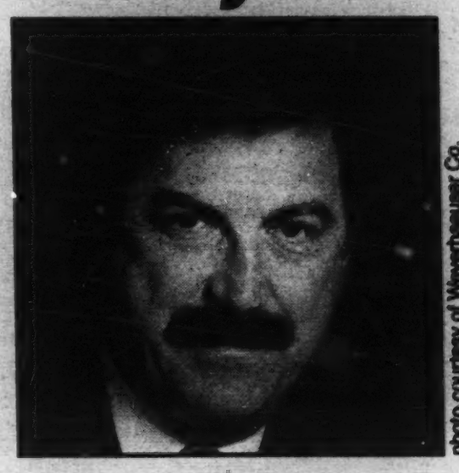

photo courtesy of Weyerhaeuser Co.

John W. Creighton Jr., new president of Weyerhaeuser.

In a related announcement, the company said executive vp Charles W. Bingham, in addition to his operating responsibilities as head of Weyerhaeuser Forest Products Co., will continue to manage certain corporate functions, including lumber and timber transportation.

The 61-year-old George Weyerhaeuser, a great-grandson of the company founder, has been president and ceo of Weyerhaeuser since 1966. He will be the first person in Weyerhaeuser's 88-year history to hold the offices of chairman and ceo simultaneously.

Joseph Rashkow, Handy Andy founder/co-owner, is dead at 82

By an NHCN staff editor

MIAMI — The patriarch of Handy Andy Home Improvement Centers is dead at 82.

Joseph Rashkow, a co-owner of the Schaumburg, Ill.-based chain from which he retired to Miami 16 years ago, died Feb. 11 at Miami's Heart Institute.

"He always had customers on his mind," recalled Donald Beal Sr., president and owner of Arrow Lumber, now a two-unit franchise of Handy Andy still operating on Chicago's south side. "He was always cheerful. Even after he retired, he'd come in and ask how we were treating customers. The old-timers that knew him would always say, 'Hi Joe.' "

"Energy was his middle name," noted Ted Rashkow, a nephew. Rashkow's son and Handy Andy chairman Ron Rashkow was unavailable for comment.

Joe Rashkow and his family emigrated from Russia and settled in Chicago in 1910. According to his nephew, Rashkow spent his days working in his brother's grocery store and playing baseball at night. But after marrying the former Esther Goran in 1937, Rashkow took a new tack that would later become a trademark of the Handy Andy chain.

> Starting out by buying and selling small businesses, Joseph Rashkow purchased Arrow Lumber in 1946, the first of what is now the 50-unit Handy Andy chain.

He started buying small businesses, improving them and then selling them, Ted Rashkow recalled.

After working in fruit and vegetable enterprises around Chicago, and being in and out of the liquor business, Rashkow settled on the lumber business.

In 1946, Rashkow founded Arrow Lumber on the city's south side. The single unit grew into a chain through the acquisition of Danley Lumber Company's retail operation in Gurnee, Ill., and Republic Lumber Co. The chain was renamed Handy Andy (after Rashkow's grandson Andrew) in 1974 to give it wider recognition.

Starting in the 1950s, Rashkow was joined at the yard by his son Ron, who now presides over the 50-unit Handy Andy Home Improvement Centers, now operating in four states.

Rashkow was active in Chicago chapters of B'nai B'rith and Hadassah. He is survived by his wife Esther, son Ron and a daughter Susan Messé.

Michigan General to submit Ch. 11 plan

By an NHCN staff editor

DALLAS — A bankruptcy court judge has cleared the way for Michigan General Corp. to submit its Chapter 11 reorganization plan to creditors and stockholders.

A court hearing on the plan has been set for April 1. That month will mark one year since Michigan and its subsidiary Diamond Lumber filed for protection under Chapter 11 of the Federal Bankruptcy Code.

"We're moving in a positive direction," stated Jerold Grubstein, Diamond's president and chief executive officer.

But Grubstein said the process of emerging from bankruptcy has been bumpy.

"It's like a bag filled with air. You push down on one side and it pops up on the other," he said. "It [the plan] can't be moved forward smoothly. There are too many diverse interests."

The plan was scheduled to be mailed by the end of February. It calls for unsecured creditors with claims of less than $500 to be paid in full immediately.

Other creditors will be paid either with long-term notes or with a mixture of debt and equity. Grubstein said the ratio of the mixture would vary,

(Continued on page 235)

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Study: Conflicting rules deter new products

By an NHCN staff editor

WASHINGTON — Complicated and conflicting regulations may be stopping manufacturers from bringing new products to market and deterring potential buyers of products that don't require approval, a new study finds.

Some 12 percent of 905 manufacturers said they had abandoned product development because of problems with regulatory agencies, in response to a survey by Arthur D. Little for the National Institute of Building Sciences. Conducted in 1985, the study was just released.

And 14 percent said lack of an existing standard would usually be a barrier to development of a new product.

Even if products don't require regulatory approval, builders and building owners said they tend to shy away from products without some kind of regulatory stamp, because of liability concerns.

Of the owners and builders surveyed, 38 percent said they had not used any products that had been on the market for less than a year for the three years prior to the study. Some 28 percent said they had used less than five products.

But at the same time, a large number of owners and other product users, such as builders, also questioned the validity of regulatory approval.

Asked if they considered a product safe if it had been approved, 44 percent of owners and product users said no. Some 62 percent said they wouldn't necessarily consider a product durable; 53 percent said not necessarily reliable; and 51 percent said not necessarily functional.

Manufacturers claim they don't object to standards and the regulatory process.

The problem, they say, is lack of coordination among federal, state and local regulatory agencies and no clear guidelines on how to win approval of new products.

"Seems everybody sits on things too long," one manufacturer said when asked for comments during the survey. "Politics as in most areas of the industry."

Said another: "Interpretations of the regulations are not always the same."

Based on the responses and its research, the Institute proposed a series of changes in the approval process:

- Data provided by testing labs should be easier to use and interpret. The Institute suggested this can be achieved with uniform methods for reporting test results, better description of the testing process and better accreditation of testing labs;
- State and local building codes should be clearer to help builders and building owners determine what products are acceptable. State and local governments should exchange code information;
- Approval requirements should be streamlined, so that the approval process for getting products to meet standards could be expedited.

National Institute of Building Sciences Product Survey

If a product complies with existing standards and regulations, do you consider it:

	YES		NO	
	Owners	Residential Builders	Owners	Residential Builders
Safe	55%	73%	44%	27%
Reliable	45	62	53	37
Functional	48	65	51	34
Durable	36	46	62	52

Source: National Institute of Building Sciences

NHCN chart.

A NIBS survey, conducted in 1985, was just released. Findings show that 44 percent of owners and product users said no when asked if they considered a product safe if it had been approved.

Rigorous tests are basis of APA's approval

(Continued from page 38)

The push by manufacturers to penetrate the lucrative siding market is another area that keeps the APA's testers busy.

The actual test involves the construction of a wall—studs, sheathing, siding and all—that is then soaked under running water for three weeks. If the product buckles under the test, researchers will know that the defect has nothing to do with the installation technique. That's because the wall is built using APA suggested building guidelines, which, when completed, eliminates the possibility of buckling caused by improper construction.

Steve Zylkowski, who conducts the test, noted that for manufacturers who want their products to meet the APA's siding standard and receive its grading stamps, the test is vital.

"Wood expands when wet and if it expands too much, it buckles," Zylkowski explained. "So what our testing here hopes to find out is whether a manufacturer's exterior siding remains smooth and flat.

"After all, siding is an aesthetic product and its smoothness and flatness are essential to its appeal."

While it would be hard for a layman to detect some of the imperfections the test hopes to reveal, computer monitors allow Zylkowski to establish a numerical pass/fail criterion.

Steve Zylkowski, senior scientist doing wet test for buckling, said, "Wood expands when wet and if it expands too much, it buckles. So what our testing here hopes to find out is whether a manufacturer's exterior siding remains smooth and flat." NHCN photo

Assessing its field staff

The APA conducts a battery of tests for manufacturers who want to make industrial products as well, but perhaps the association's most stringent examinations take place outside the laboratory.

These tests are the random and unannounced product samplings APA graders conduct at member mills throughout the country.

Headed by Dale Lawrence, manager of quality service, the effort requires APA field agents to visit three to five mills a week to insure that the panels being produced conform to the APA grading stamps the mills use.

At the site, the APA examiner will review all phases of the production process, including the machinery and labor.

The APA's persistent examinations on the glues that are used to make structural panels consume the greater portion of the service crew's time.

Although the glues are nearly the same for all panel products, the intended end use, and the wood species reaction to them, require the APA to maintain a diligent surveillance at the mill level and in the lab. As a result, each category of structural panels, underlayment, nonveneer, sanded, siding and others are tested for glue bonding.

Lawrence noted that safety is at the root of what the glue bonding tests are all about.

"Mills are making products that basically are designed to last the life of a building," he said. "So when you are talking about panels, our glue bond tests are among the most common and one of the most important we run."

Weather testing

In another location in Eugene, Ore., the APA maintains a testing field where panels are exposed to the elements. Lawrence said some of the products have been there as long as 20 years to test the strength of the glue over the long haul.

But inside the lab, Lawrence can duplicate aging wood, and consequently the strength of the glue, by subjecting small pieces of plywood to a vacuum suction process.

"The whole quality control effort serves to protect the trademark [of the stamp of the APA] so that the user has the confidence that the product is what it says it is and will do what the stamp says it'll do."

What keeps Lawrence's lab crews busy are the weekly samples that are sent to the facility from APA field examiners around the country. Each examiner sends a specific number of panels per weekly mill production. For example, if a given mill produces 30,000 panels a week, the field examiners are required to forward 40 panels to the lab plus one for every 3,000 panels the plant makes after hitting 30,000.

John Rose, APA senior engineer, performing shear wall test. NHCN photo

Perspectives

international report

Japanese still take cue from U.S. DIY industry

By Brad Altman

TOKYO — No one expects to see any Home Depots or Builders Squares in this densely populated country anytime soon.

But the Japanese, following the U.S. lead, are rapidly developing their fledgling home center industry. And major changes are on the horizon, Japanese home center executives and industry observers report. During the last two years, real estate prices throughout Japan have skyrocketed in this crowded, mountainous country about the size of Montana with a population half that of the United States.

The cost of new housing is exorbitant, and this is making some Japanese consumers, traditionally reluctant do-it-yourselfers, more willing to tackle bigger home projects.

The dollar's plummet against the yen and Japan's gains as a global financial and business center are speedily contributing to the westernization of the Japanese culture.

Some observers note the growing Japanese sentiment to "Buy American," not just through patronizing Denny's and Kentucky Fried Chicken outlets that have sprung up, but by purchasing highly esteemed U.S.-made products.

Smaller home centers

Statistics compiled by the Japanese Home Center Association show that home centers here are lagging behind their U.S. counterparts, however. The average home center company in Japan had sales of $2.46 million last year (*see accompanying chart*). Among the top 150 American home center chains in 1986, the average annual sales per unit were nearly $5 million.

Japanese home centers are much smaller than in the United States and merchandise assortments put more emphasis on housewares, the largest single department in most stores.

The concentration on housewares creates a "variety store" look to the Japanese home centers, which put lumber and building materials into a secondary category that receives little floor space in most stores.

Yasuhiro Ishihara, president of Specialty Institute, a Tokyo-based consulting firm, said the Japanese home center industry is less than 15 years old.

Statistics compiled by Keiko Sano of the Inter-Pacific Network show that in 1972, there were only 12 home centers in Japan. By the end of 1987, there were 1,764 stores compared with approximately 21,500 in the U.S.

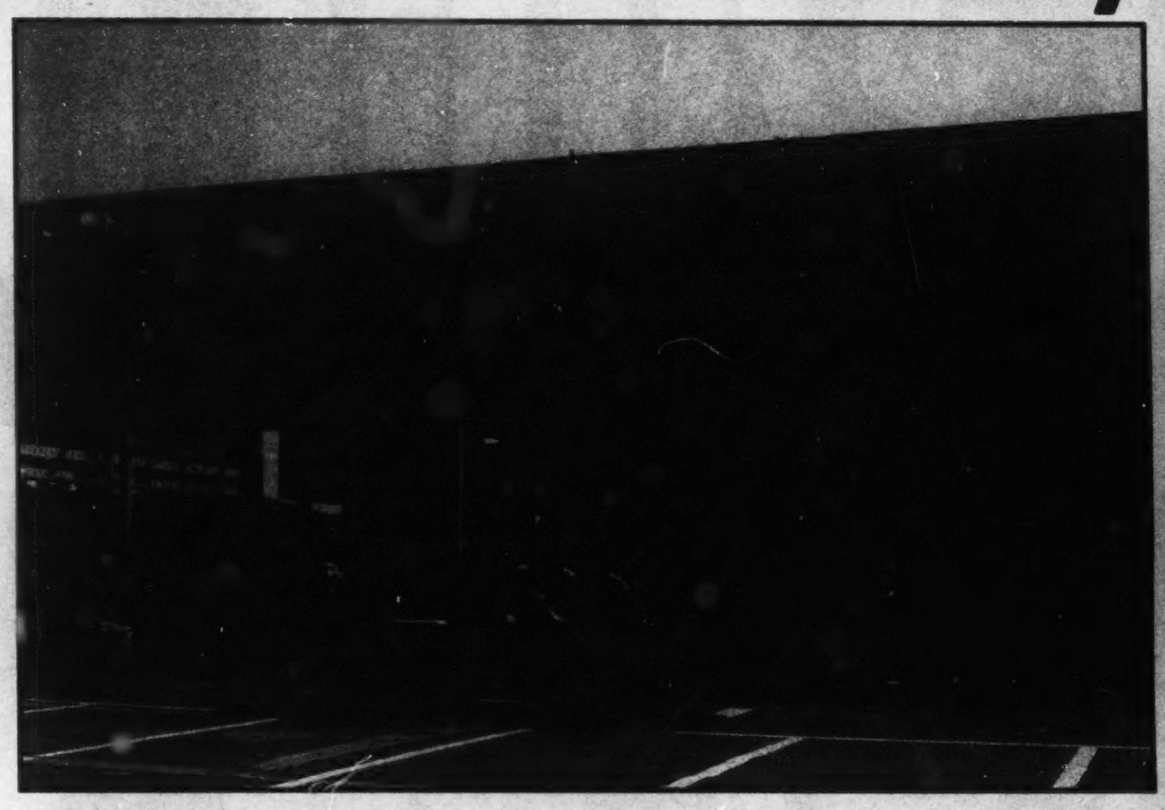
Total sales in Japan were $10.6 billion in 1987 (compared with a $65-billion-plus DIY marketplace in the United States).

Reflecting the mom-and-pop nature of the industry, 52.3 percent of businesses operate only one store. Only three companies in the entire country operate more than 50 stores, which garners less than 1 percent of the total market.

For the Japanese, there is a nationalistic tradition that keeps the country from importing U.S.-made products. Keiyo Home Center's co-chairman, Tadashi Okamoto, said of his 42-unit chain's merchandise mix, "Ninety-five percent of items are made in Japan and the remaining items are made in Taiwan or Korea" (*see accompanying story*).

A major challenge for Japanese DIY retailers is getting consumers—who prefer to hire professional craftsmen for many home projects—to develop a U.S.-style DIY mentality.

"DIY activities are less popular here than in the U.S.," said Okamoto, who added that the "project sell" mentality has not caught on in Japan. "The Japanese tend to use specialists like professional contractors" for kitchen and bath remodels, he said.



This Keiyo store in Japan has a similar look to many U.S. home centers, although most of the products are made in Japan or the Far East. NHCN photo

The top 14 departments in the typical Japan home center reflect the homeowners' preference to hire professionals.

Lumber and building materials rank 11th in sales contribution while paint and sundries ranked 13th. Both departments contribute less than 5 percent of a typical home center's total volume.

The No. 1 sales category in Japan home centers, in contrast, are housekeeping and related "daily necessity" sundry items, which contribute 17.3 percent to total store sales. Second-ranked are automotive/auto accessories, 11 percent, followed by lawn and garden, 10 percent.

Hardware/tools is the fifth largest selling department followed by electronics, storage products, furniture and sporting goods.

"In Japan, consumers are not used to doing it themselves," said the Specialty Institute's Ishihara. "The largest project most Japanese would consider attempting would be to build a storage shed."

(Continued on page 130)

Japan's DIY Industry at a Glance

	1985	1986	1987
Number of companies:	496	480	493
Number of stores:	1,500	1,593	1,764
Annual sales (in millions $):	8,796	9,446	10,665
Average sales per company (in millions $):	17.7	19.7	21.6
Average stores per company:	3.02	3.32	3.58
Average annual sales per store (in M$):	5.8	5.9	6.0

Source: Japan Home Center Association; U.S.$1.00 = Y130.00 NHCN charts

The Top 10 Japanese Home Center Chains

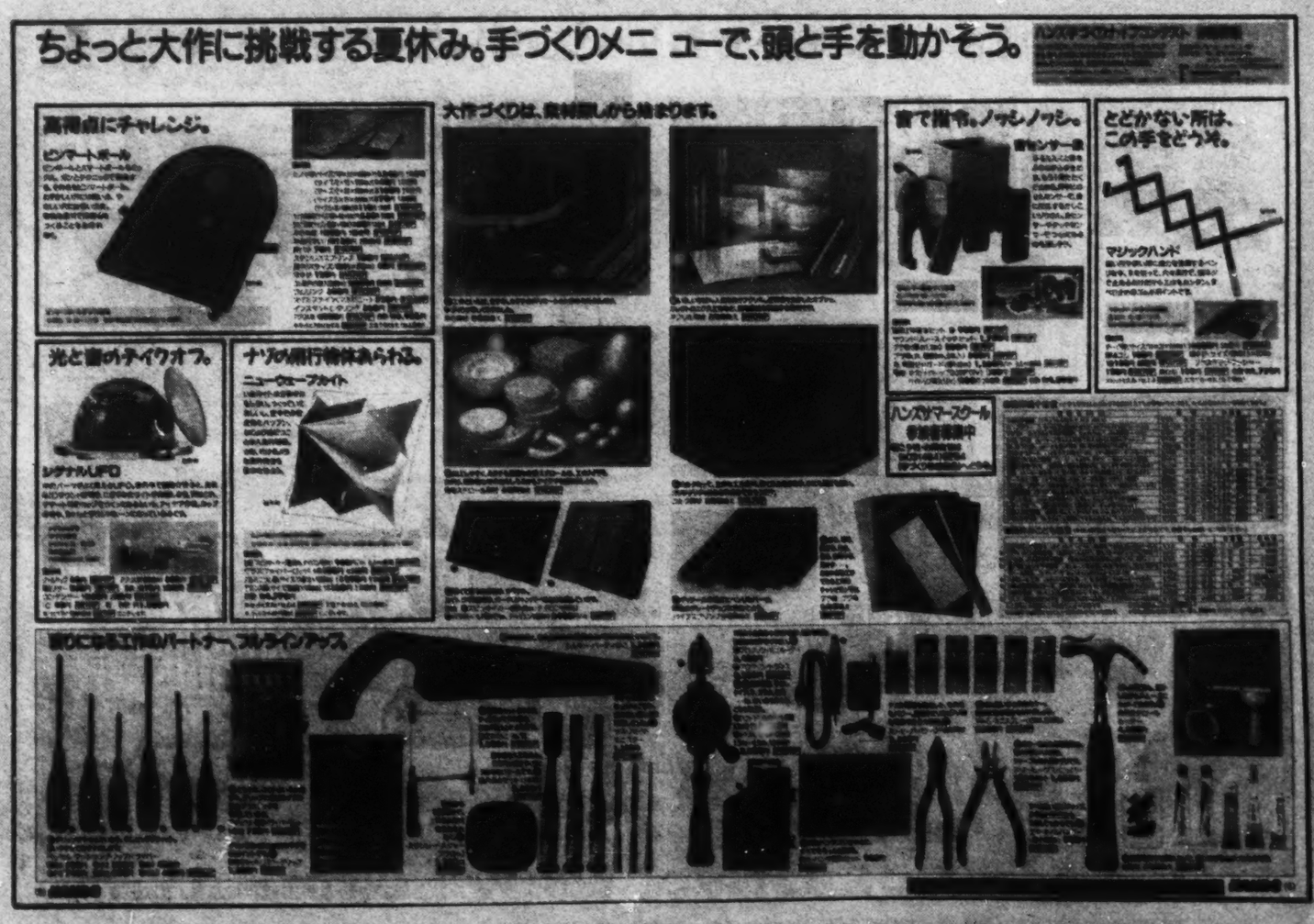
Company Name	Sales (in millions $)	Stores
Viva Home Center Ltd.	409.2	38
Nafuco Co. Ltd.	404.6	51
Keiyo Co. Ltd.	333.1	42
Kahma Co. Ltd.	305.4	28
Tokyu Hands Co. Ltd.	290.7	7
Joyful Honda Co. Ltd.	205.4	5
Shimacyu Co. Ltd.	160.0	15
Hinode Co. Ltd.	143.1	12
Ishiguro Home Co. Ltd.	142.3	14
Encho Co. Ltd.	133.1	6

Source: Japan Home Center Association; U.S.$1.00 = Y130.00 NHCN chart

Tokyu Hands, a seven-unit operation in Japan, tries to be a one-stop location for Japanese shoppers. Billing itself as a "Creative Life Store," Tokyu Hands' flyers advertise a wide variety of items.

On the center spread of this flyer, only the bottom portion advertises items that an American consumer would expect to find in the usual home center. The remainder of the flyer promotes everything from toy airplanes to rain parkas to sewing machines.

In general, housewares is the largest single product category for Japanese home centers, with lumber and hardware playing secondary merchandising roles.



Perspectives

international report

Japanese DIY retailers get ideas from U.S.

(Continued from page 124)

Ishihara said home centers are attempting to cultivate a DIY mentality among consumers, but one obstacle is the Japanese cultural ideal of achieving "perfectionism. They don't want the finished project to look unprofessional. It is a point of pride to use professionals to do renovation work."

A much-discussed challenge to the growth of Japan's-home centers is the Dai Ten Po Law, a regulation that gives special legal protection to smaller retail stores that are well-established in local communities. This is not unlike the situation in Europe, where smaller, well-established independents have been known to band together and block, through legislation, the entrance of larger stores into their market.

> "In Japan, consumers are not used to doing it themselves. The largest project most Japanese would consider attempting would be to build a storage shed."
>
> **—Yasuhiro Ishihara,** *president, Specialty Institute*

Ishihara explained that a local Japanese planning board can easily stall a chain store request to acquire a site for four to five years, and then "only give them 70 percent of the square footage that they originally applied for."

"There is a possibility of abolishing the Dai Ten Po Law," Ishihara said. "But we'll never have a Wal-Mart in our rural regions," in part because of the scarcity and cost of land.

Yasuhiro Ishihara, president of Japan's Specialty Institute. NHCN photo

Product expansion expected

Japan home centers can be categorized into two types. One is the variety-discount home center. The other is the home center geared to hobbyists who buy items not to save money but to accomplish leisure activities such as woodworking.

Home center industry observers expect competition to heat up. One trend is for Japan home centers to expand their assortments in an effort to be more of a one-stop shopping experience.

Perhaps the premier example of this concept is Tokyu Hands, a one-stop concept with seven urban locations and billed as a "Creative Life Store." Its flagship store in Tokyo has seven floors.

Ishihara said that since 1977, Japanese home centers have actually gradually decreased total square footages although sales volumes continue to grow.

Keiyo uses U.S. retail ideas but sells mostly Japanese items

By an NHCN staff editor

CHIBA PREFECTURE, Japan — At first glance, Keiyo Home Center looks like many home centers in the United States. There are bins of molding, storage products, cans of paint and other DIY products. Americans would feel at home here because department signs are in English.

Despite the similarities to U.S.-style home centers, however, a vital ingredient is missing: "Made in U.S.A." merchandise.

Japanese home centers, including Keiyo Home Centers, the nation's third-largest home center chain, do not sell U.S. goods. Tadashi Okamoto, co-chairman of Keiyo, said, "We do not handle any imports from the U.S. at the moment."

He elaborated: "In the past, we handled Black & Decker power tools, but their Japanese sales office closed because they had difficulty selling into our market. They were too expensive."

These brightly colored hoses are among many items sold in Japan's Keiyo Home Centers that are manufactured in the Far East. Keiyo's executives still use U.S. ideas for retailing, however. NHCN photo

U.S. merchandising aped

Yet even with the strengthening of the yen against the dollar, Japanese consumers continue to rely on domestic brands.

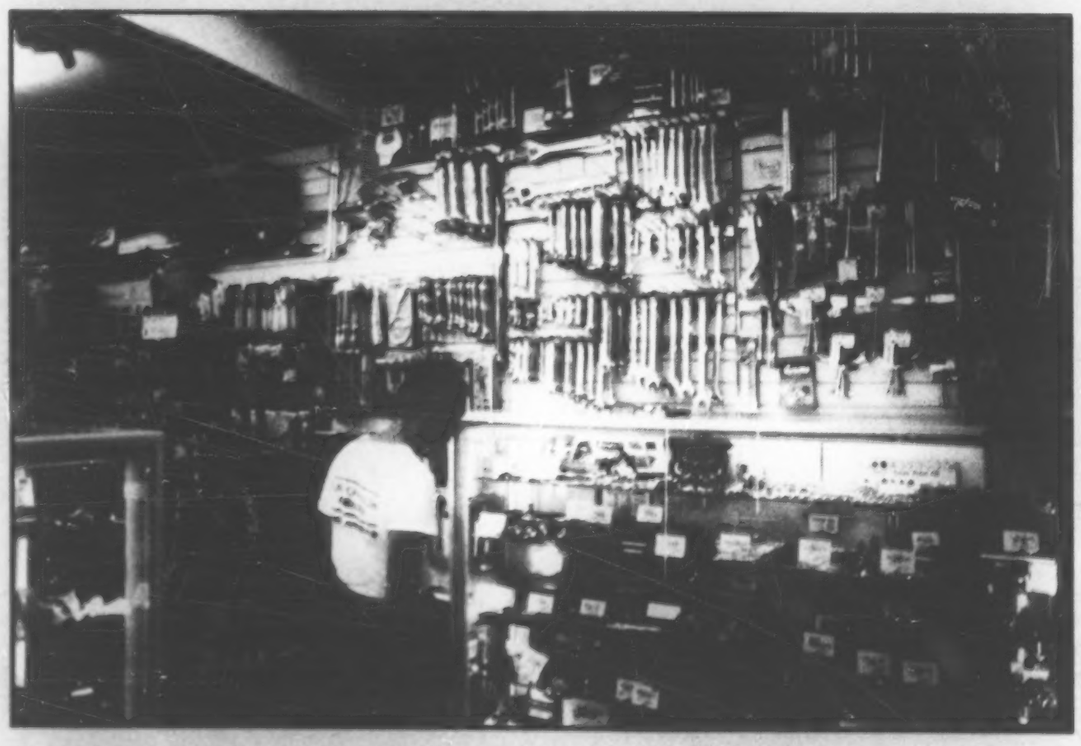
The irony is that Japanese consumers who shop in home centers are spending money in a retail environment that is essentially a copy of the U.S. home center layout.

Japanese retailers are keen students of the U.S. home center business. Okamoto himself has been to the United States 16 times and has a scrapbook containing photographs he has taken during tours of U.S. home centers.

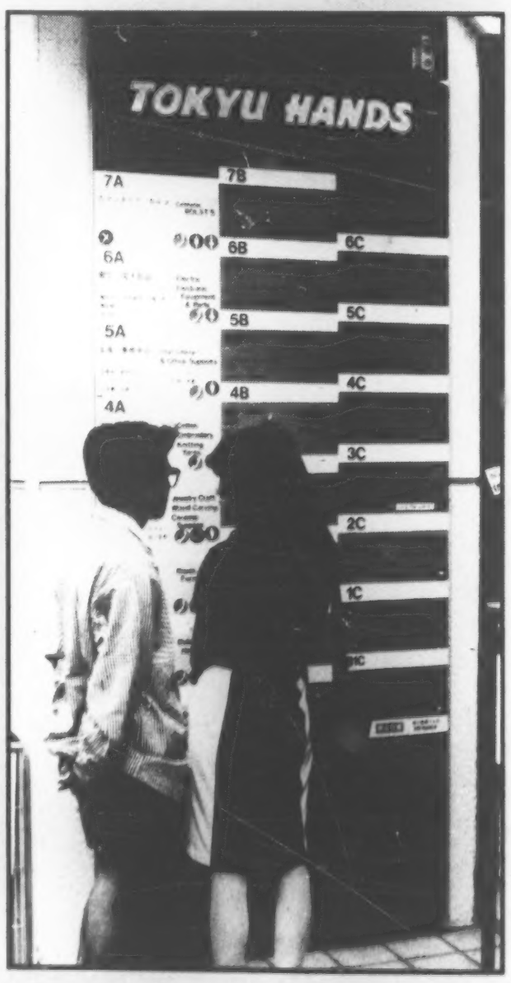
(Continued on page 132)

This Tokyu Hands home center in the heart of Tokyo must contend with space limitations that would give headaches to most American retailers. NHCN photo

Although the Tokyu Hands store is in the heart of Tokyo, signs and instructions (above and right) are in both Japanese and English. NHCN photo



A customer in Tokyu Hands looks at a wall of tools, 95 percent of which were probably manufactured in Japan, Korea or Taiwan. NHCN photo



Perspectives

international report

Keiyo Home Centers At A Glance:

Headquarters: Chiba Prefecture, Japan. Keiyo has Home Center Division and Petroleum Division, which operates six company-owned and 54 franchised gas stations.

Number of Full-time Employees: 455
Average age: 33
Average years with company: 5
Number of Home Centers: 42

Sales Volume: $333.1 million (US$1.00=Y130.00)

Shares Outstanding: 24.3 million shares outstanding at $.25 each.

Source: Keiyo Co. Ltd. *NHCN* chart

Keiyo borrows U.S. retail ideas but sells mostly Japanese items

(Continued from page 130)

Like many Japanese home center executives, many of whom subscribe to U.S. trade publications and follow the U.S. DIY marketplace, Okamoto looks to the U.S. to pioneer trends.

He says Keiyo stores are analogous to mom-and-pop variety stores in the United States, with a smattering of U.S.-style home center merchandise thrown in.

Keiyo Home Centers, with 42 units, rang up $333 million sales last year (*see accompanying chart*). Keiyo is one of five home center companies publicly traded on the Tokyo Stock Exchange.

"DIY activities are less popular here than in the U.S.," Okamoto explained. "The distribution system in Japan leaves a lot of room for improvement."

On the professional side of the business, contractors generally buy from specialty stores that cater to their needs.

Keiyo's largest department is housewares, representing 20 percent of volume.

A total of 2.7 percent of sales is spent on advertising, of which 80 percent is single-sheet flyers distributed 40 times annually in newspapers, and 20 percent is radio broadcasting. No home center in Japan uses television because of the expense.

> "Consumers don't differentiate between stores. The Japanese home center business is immature and still growing."
>
> --Tadashi Okamoto, *co-chairman, Keiyo Home Centers*

Lacking identity

According to Okamoto, most home centers in Japan actually look the same—there is a homogenization of home center retailing where such concepts as "warehouse-style" or "traditional" have no meaning.

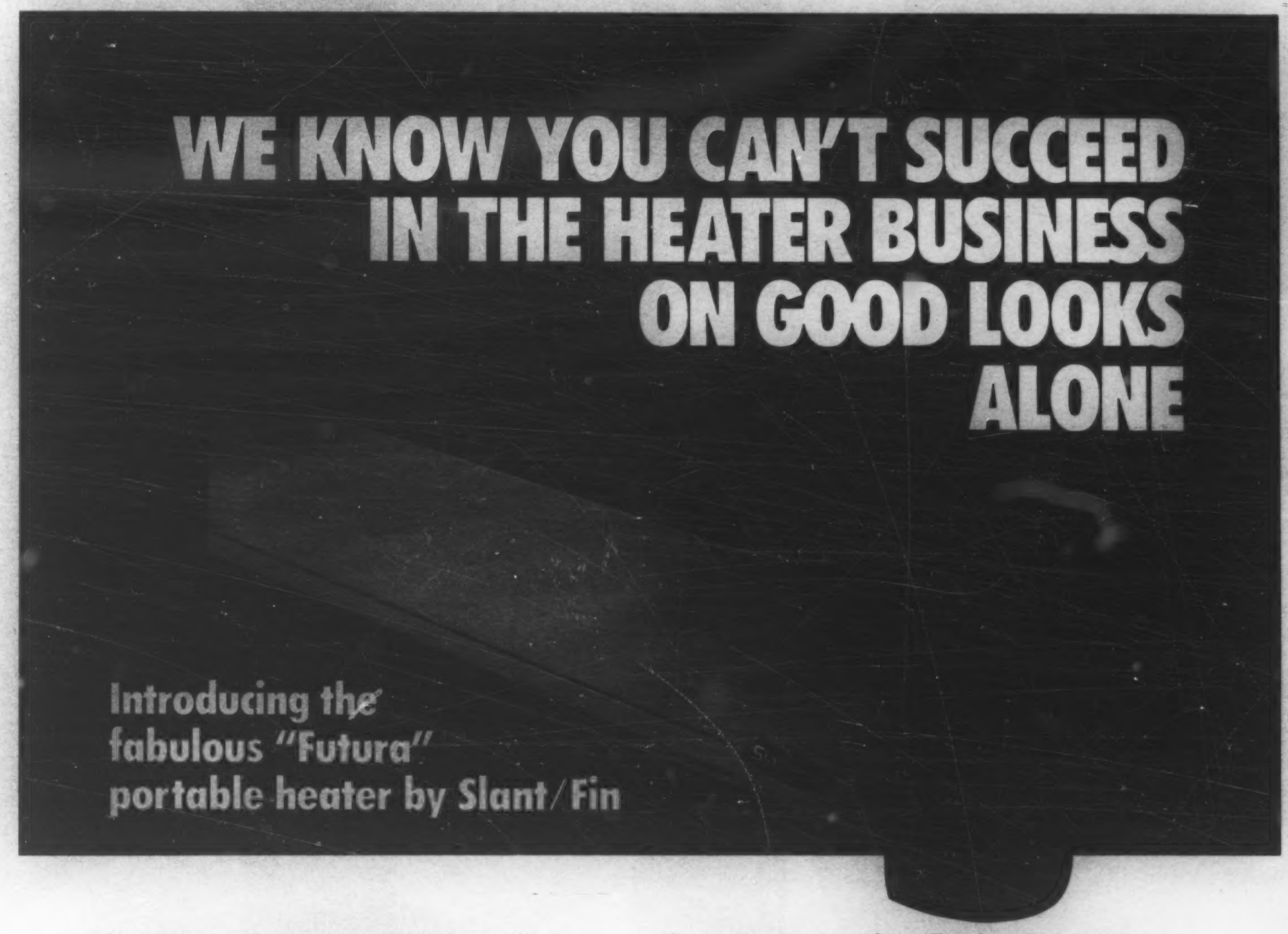
This lack of individual identity is "a problem to be solved in the future," said Okamoto. "Consumers don't differentiate between stores. The Japanese home center business is immature and still growing."

Future expansion for Keiyo will be in Japanese rural markets, where there are few chain stores. An average trading area in Japan is 15 minutes by car, Okamoto said. He said Keiyo is also studying developing 500-square-foot home centers for consumers in congested areas. These will be convenience formats "like 7-Elevens," he said.

Okamoto does not expect that Japan will ever see the warehouse concept developed here.

"New stores are restricted by size," he explained. "Large-scale stores have limited space so [warehouses] would be impossible to emulate."

Okamoto said in Japan, despite the Dai Ten Po Law that restricts chain expansion *(see accompanying story)*, chain stores are likely to grow as the "Japanese economy shifts from an export to a domestic-demand economy. In that broad microeconomic arena, the Dai Ten Po Law limitation may be loosened."



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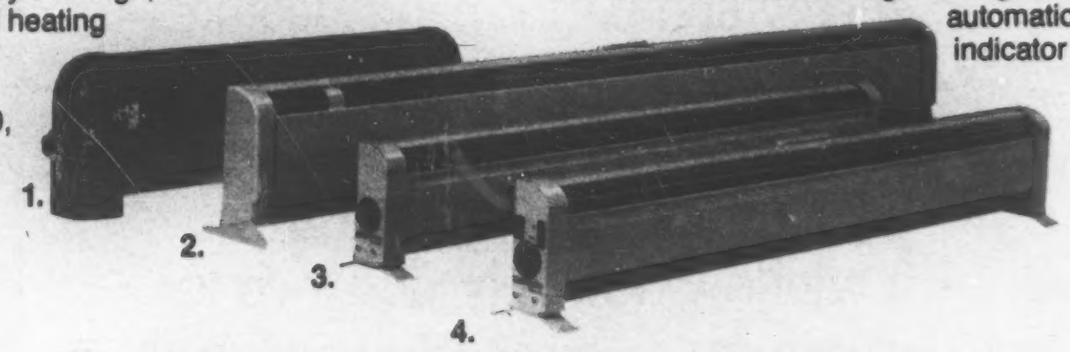

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Section 4

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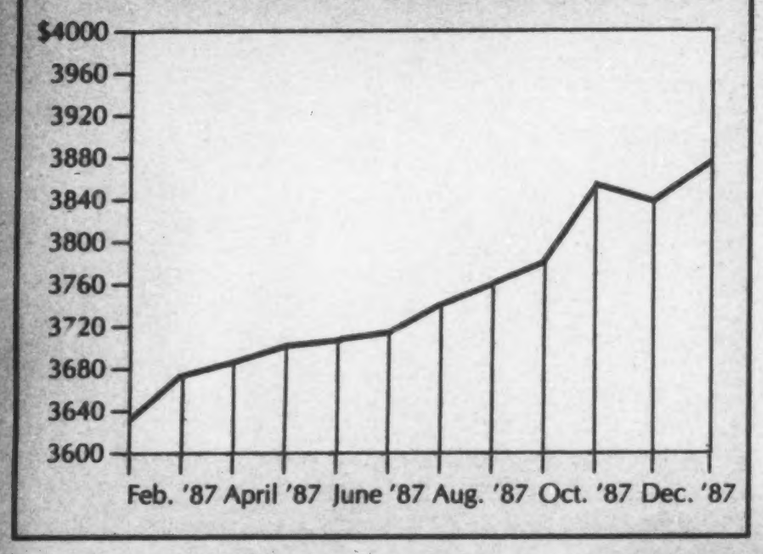
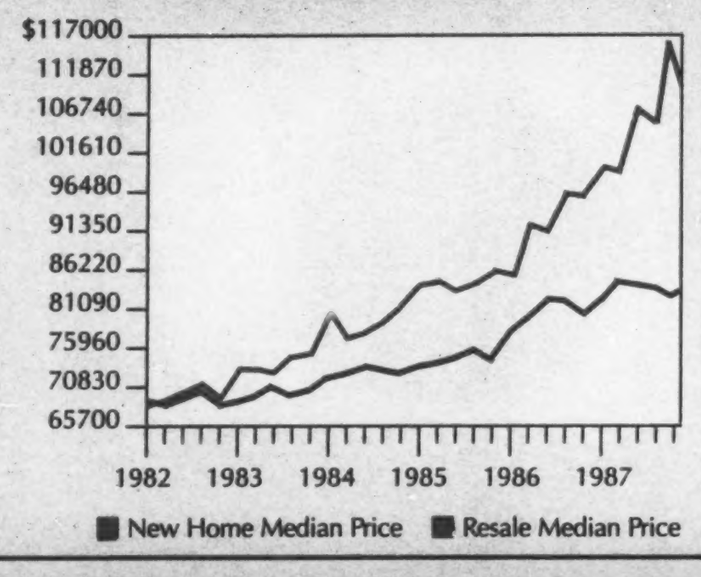
Monthly Household Income



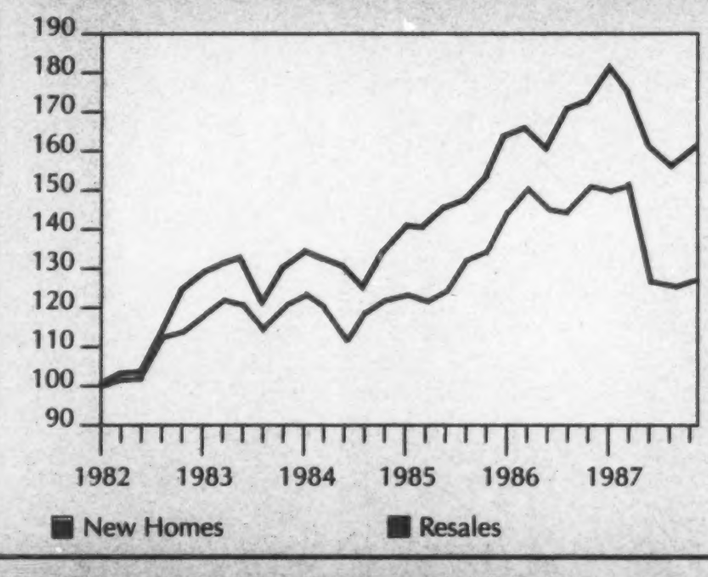
. . . and rising new home prices . . .

Median Home Prices



. . . make resales increasingly attractive . . .

Housing Affordability-New Versus Resale



Home resales to drop but material sales will be sustained

By Richard E. Mount
Special to NHCN

Housing resales should be at a somewhat lower level this year than in 1987. Nevertheless, their movement will sustain demand for building materials over the next 12 months.

Resales are likely to be down 4 percent this year to 3.4 million units. Building material retail sales are projected to rise only 4 percent in 1988.

Housing weakened at the end of last year. From October to December, starts declined 11 percent, new home sales 8 percent, and resales 8 percent.

Richard E. Mount

These rapid rates of decline in housing should reverse themselves temporarily in the first half of 1988 as mortgage rates begin to fall in what we perceive to be a weak economic climate. Nevertheless, housing markets in 1988 will be below last year's rates.

Owner-occupied housing faces two major hurdles in 1988. First, the economy and consumer income are slowing. The consumer, who accounts for about 65 percent of GNP, is trying to lower the overhang of debt accumulated in the current expansion.

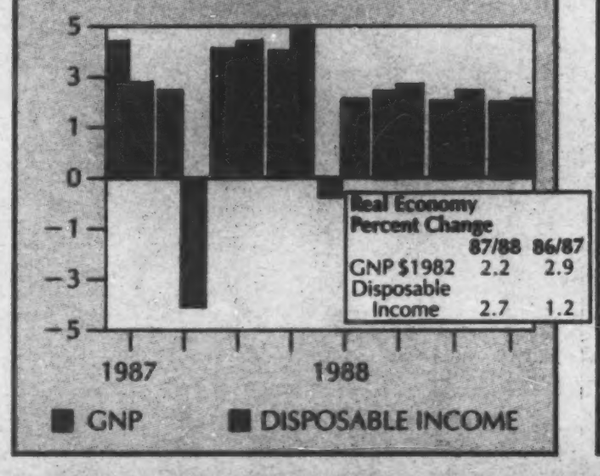
Second, mortgage rates will be higher in 1988. During late 1987, the Federal Reserve increased the growth of the money supply, driving interest rates down. This year, monetary policy should be less stimulative, causing mortgage rates to rise.

Resales will not be harmed as much as other housing markets in 1988, however. Since 1982, consumers turned increasingly to upscaled, more expensive new housing, causing the gap between new and existing homes to widen 29 percent. With interest rates rising and consumer incomes growing slowly, lower priced resales will become increasingly attractive to more conservative home buyers. This year, resales are forecast to be down only 4 percent, housing starts 6 percent.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

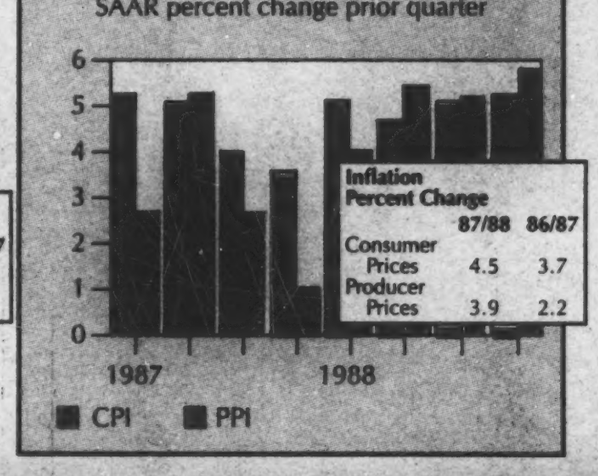
General Business Conditions

Real Economy

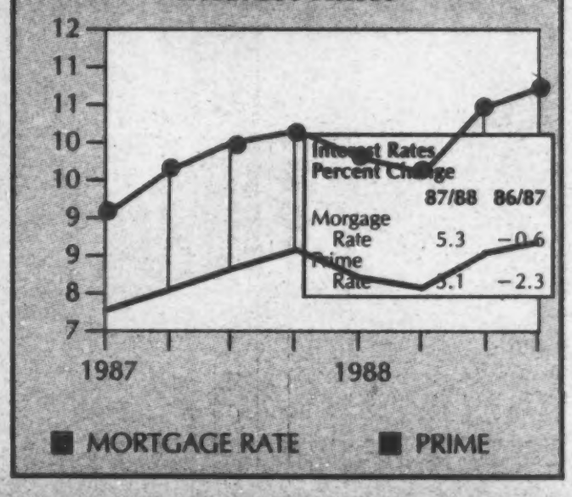


Inflation

SAAR percent change prior quarter

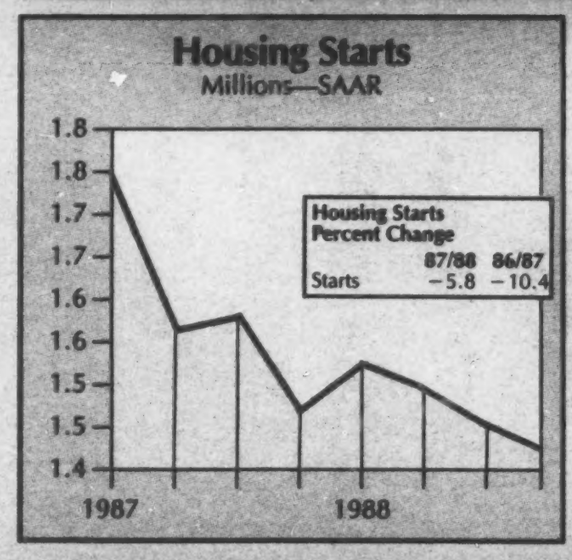


Interest Rates

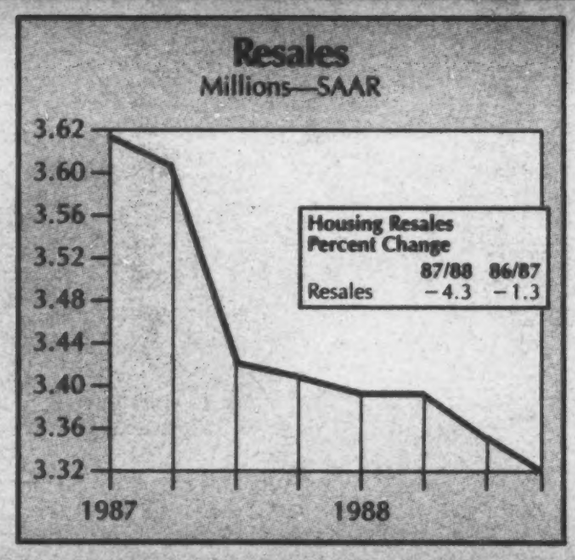


Housing

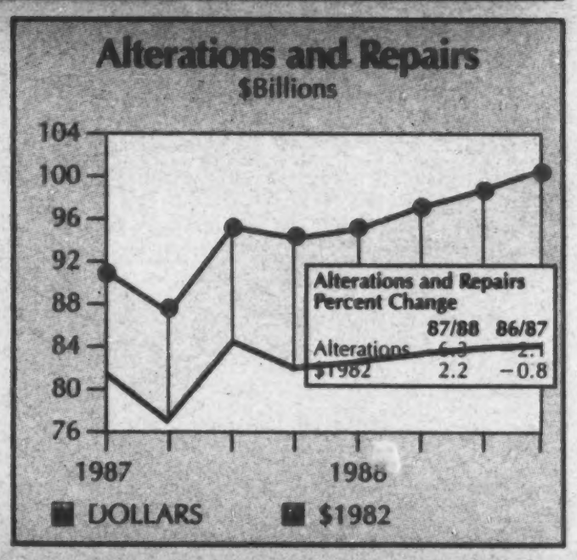
Housing Starts
Millions—SAAR



Resales
Millions—SAAR

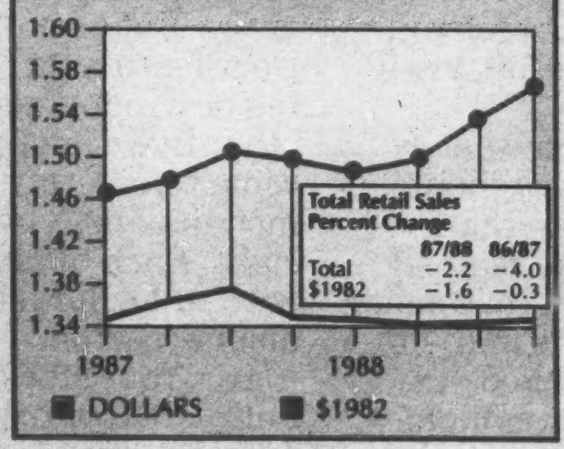


Alterations and Repairs
$Billions

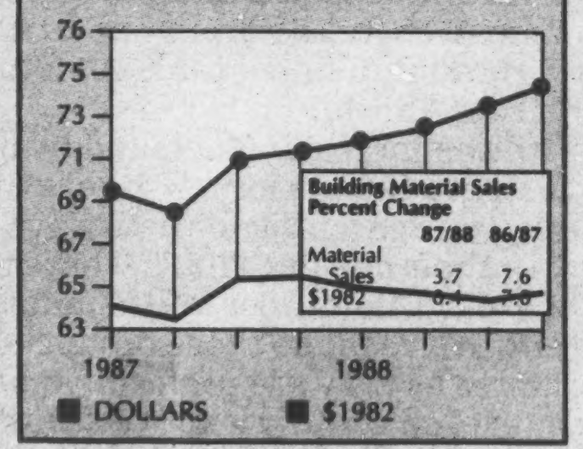


Retail Trade Activity

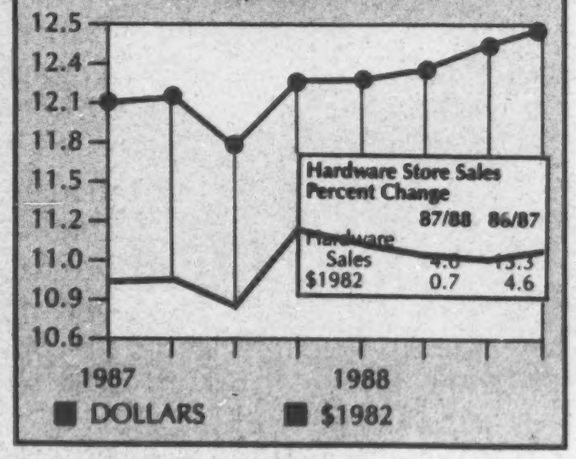
Total Retail Sales
$Trillions



Building Material Sales
$Billions



Hardware Store Sales
$Billions



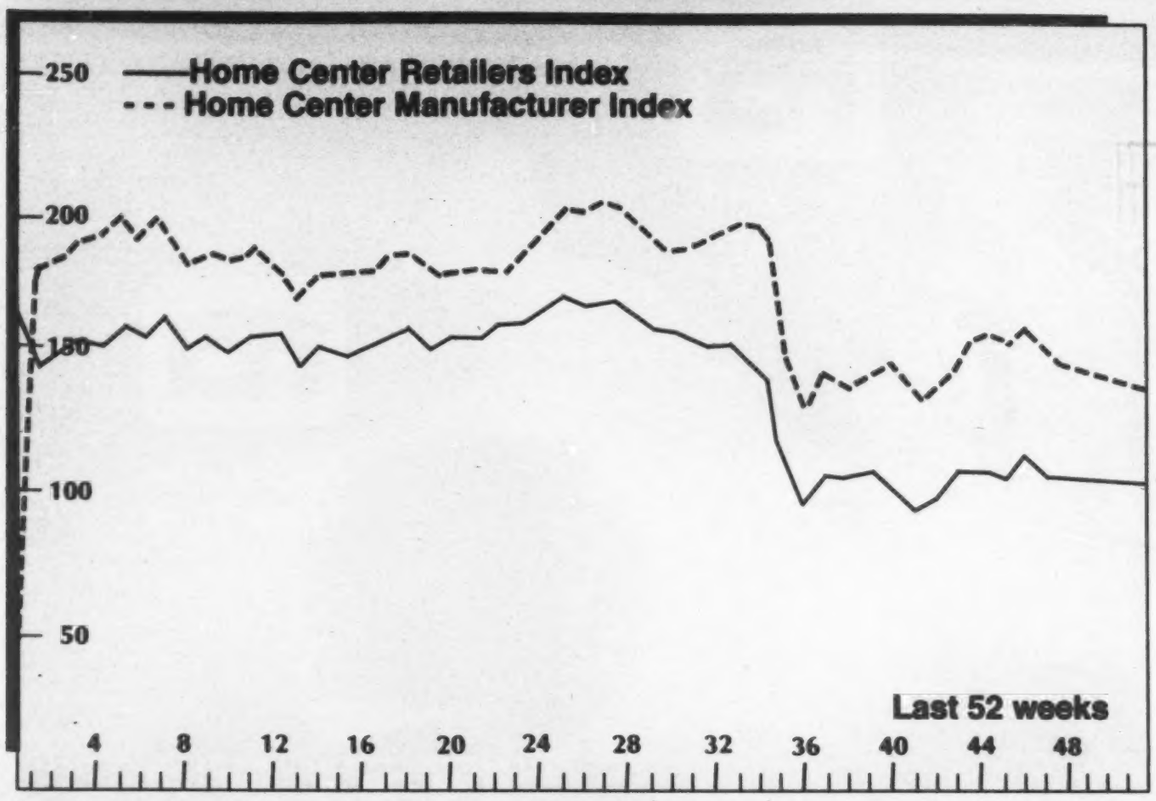
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 19, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Winners again outnumber losers

Winners far outnumbered losers in the market for the week ending Feb. 19. Of the 57 stocks tracked for *NHCN* by Media General, 43 gained, eight lost and six were flat.

Among retailers, Wolohan Lumber led the upswing, with a 22.1 percent increase to close at $13.13. Standard Brands jumped 17 percent, closing at $14.63, and General Building Products climbed 14.7 percent to close at $4.88. After falling off sharply in the previous two weeks, following the death of its chairman Eric Strober, Strober Organization stock rebounded 13.8 percent. It closed at $8.25 in light trading.

Among retailers, only two stocks dropped. Wickes Cos. was down 1.4 percent, to close at $9.13. Hechinger's class B stock dropped 1.3 percent to close at $19. Hechinger's class A stock remained unchanged for the reporting period, closing at $19.

All wholesalers posted modest gains except for Lewis Palmer, which remained unchanged.

Heavy winners on the manufacturing side were USG Corp, up 19.1 percent to close at $33.50; Waxman Industries, up 17.7 percent to close at $11.63; and PPG Industries, up 18.8 to close at $39.50.

Black & Decker, which has launched a hostile takeover bid for American Standard, was off 4.4 percent, closing at $19. But its target, American Standard, was up 5.9 percent to $67.63, as the company announced a recapitalization plan designed to fend off B&D.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 2-19-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	4.88	.63	14.7	4.88	4.25	12.50	4.00	358	.90	.78	15.4	8.4	.00	.0	.....	fiscal	11-87	18.1	9.0	.3	- 57.1	.10	- 56.5	67.6	17.8	2.1	5.0	.58	- 13.4
Grossman's Inc ..... M	7.00	.00	.0	7.25	6.75	11.25	4.13	15,378	5.88	2.66	121.1	13.2	.00	.0	.....	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A ..... M	19.00	.00	.0	19.50	18.75	26.50	14.25	2,356	2.16	2.28	- 5.3	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	19.00	- .25	- 1.3	19.25	18.75	26.75	15.50	196	.12	.13	- 7.7	16.2	.06	.3	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	39.1
Home Depot ..... N	21.75	1.63	8.1	21.75	19.63	28.09	12.13	17,967	3.66	1.68	117.9	22.0	.08	.4	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc ..... N	39.75	3.13	8.5	39.88	36.25	54.00	29.50	6,449	1.63	.97	68.0	11.2	1.60	4.0	.....	9 mos.	11-87	924.0	22.0	43.5	46.0	1.05	11.7	2548.3	29.9	108.4	60.4	2.57	20.1
K mart Cp ..... N	33.88	1.88	5.9	34.13	30.88	48.38	21.63	42,405	2.10	1.28	64.1	10.2	1.16	3.4	.....	9 mos.	10-87	9973.3	5.0	110.1	25.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos ..... N	19.00	.63	3.4	19.75	18.00	32.75	15.25	6,712	1.69	1.37	23.4	12.1	.44	2.3	.....	9 mos.	10-87	645.6	8.6	16.6	32.8	.42	35.5	1939.8	8.6	52.3	16.0	1.32	13.8
Natl Hardgoods ..... M	5.00	.25	5.3	5.00	4.75	10.00	3.75	100	.80	1.01	- 20.8	7.6	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber ..... M	3.00	.00	.0	3.25	3.00	7.50	2.75	186	.33	.48	- 31.3	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak ..... N	15.38	1.25	8.8	15.38	14.00	21.50	11.50	1,398	1.40	.59	137.3	14.4	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash ..... N	13.38	.38	2.9	13.50	12.75	26.88	9.63	15,022	4.34	2.11	105.7	16.5	.16	1.2	.....	fiscal	11-87	457.3	13.3	- 2.7	- 100.0	- .08	- 100.0	1768.1	15.9	28.1	- 33.7	.81	- 33.6
Scotty's Inc ..... N	13.75	.88	6.8	14.38	12.75	15.88	10.00	2,072	1.42	.53	167.9	17.9	.52	3.8	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck ..... N	37.00	2.75	8.0	37.00	33.75	59.50	26.00	67,633	1.79	.95	88.4	8.5	2.00	5.4	NEW	fiscal	12-87	14048.4	4.8	562.1	3.5	1.49	2.8	48439.6	8.3	1649.4	22.1	4.35	20.2
Std Brd Prt ..... N	14.63	2.13	17.0	14.75	12.38	31.88	11.88	3,827	3.40	1.52	123.7	10.6	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	8.25	1.00	13.8	8.50	7.50	15.25	6.25	676	1.11	.77	44.2	9.0	.00	.0	.....	9 mos.	09-87	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos ..... N	9.13	- .13	- 1.4	9.63	8.88	25.00	7.25	10,047	2.10	2.56	- 18.0	3.6	.00	.0	.....	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber ..... M	13.13	2.38	22.1	13.13	11.88	18.75	9.75	1,547	2.64	1.09	142.2	9.7	.24	1.8	.....	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp ..... N	19.63	1.63	9.0	19.63	17.50	37.00	13.50	53,576	9.45	3.85	145.5	7.1	.40	2.0	.....	9 mos.	10-87	1601.7	21.7	21.2	- 7.4	.37	- 5.1	4309.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																													
Hughes Supply ..... N	26.75	.75	2.9	26.88	25.75	30.25	19.75	326	.98	.80	22.5	10.7	.40	1.5	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley ..... M	4.50	.13	2.9	4.75	3.75	9.75	3.75	83	.33	.37	- 10.8	17.3	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.88	.00	.0	7.13	6.75	9.88	5.75	1,280	3.18	1.66	91.6	18.1	.28	4.1	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc ..... M	12.75	.13	1.0	12.75	12.63	13.31	6.19	961	5.39	1.13	377.0	11.8	.32b	2.5	.....	fiscal	10-87	17.9	12.6	.5	.0	.32	6.7	64.9	8.7	1.9	18.8	1.08	22.7
Manufacturers																													
Am Consum Prods ..... M	11.25	.00	.0	11.25	10.75	14.25	7.88	1,410	6.79	.92	638.0	18.4	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard ..... N	67.63	3.75	5.9	68.75	66.00	68.75	30.50	85,343	27.33	6.50	320.5	16.2	1.80	2.7	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark ..... M	8.75	- .38	- 4.1	9.00	8.63	17.13	6.50	158	.23	.38	- 39.5	9.5	.00	.0	.....	6 mos.	10-87	34.3	7.5	2.4	4.3	.35	6.1	66.1	9.6	3.7	- 9.8	.54	- 14.3
Armstrng Wrld ..... N	36.25	2.63	7.8	37.25	33.25	47.38	22.50	16,705	3.56	1.63	118.4	11.4	.90	2.5	.....	fiscal	12-87	605.0	21.8	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker ..... N	19.00	- .88	- 4.4	19.75	18.38	26.50	13.00	45,752	7.84	3.01	160.5	17.3	.40	2.1	.....	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade ..... N	45.50	5.00	12.3	45.50	39.13	52.13	28.81	10,563	2.32	1.74	33.3	12.3	1.20	2.6	.....	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed ..... N	29.63	1.00	3.5	30.00	28.13	45.75	24.13	1,102	.58	.39	48.7	9.2	1.00	3.4	.....	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl ..... N	33.63	2.00	6.3	34.13	30.50	44.63	21.75	23,397	2.46	1.82	35.2	8.3	.80	2.4	.....	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl ..... M	8.13	.13	1.6	8.50	7.50	18.25	5.00	516	1.01	.60	68.3	14.0	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	58.88	4.38	8.0	58.88	52.88	74.50	39.00	10,853	2.21	1.21	82.6	17.0	1.80	3.1	.....	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc ..... N	27.88	2.38	9.3	27.88	24.50	42.00	21.00	911	2.29	1.70	34.7	10.5	1.40	5.0	.....	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Emhart Corp ..... N	19.88	- .38	- 1.9	21.13	19.50	26.63	15.50	5,820	.93	.60	55.0	11.7	.80	4.0	.....	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific ..... N	37.13	1.38	3.8	37.25	34.50	52.75	22.75	19,712	1.86	1.69	10.1	8.8	1.20	3.2	.....	fiscal	12-87	2229.0	25.2	112.0	34.9	1.07	42.7	8603.0	19.1	458.0	54.7	4.23	57.2
Insilco Corp ..... N	18.75	1.75	10.3	19.00	17.00	28.13	14.00	4,012	1.92	1.25	53.6	4.9	1.00	5.3	NEW	fiscal	12-87	93.4	- 45.8	- 40.7	- 100.0	2.58	486.4	637.7	- 14.4	- 13.9	- 100.0	3.85	143.7
La Pacific ..... N	28.13	1.25	4.5	29.50	27.25	39.75	21.50	5,486	1.43	1.01	41.6	8.9	.80	2.7	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.8	27.6	125.0	82.6	3.27	90.1
Macmillan Bloedel ..... M	16.38	1.38	9.2	16.38	14.25	23.50	12.00	10,421	1.02	.57	78.9	NA	.85	NA	NEW	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp ..... N	2.38	.00	.0	2.50	2.38	5.38	2.00	3,237	1.35	1.18	14.4	.4	.00	.0	NEW	fiscal	12-87	522.5	12.8	31.5	82.1	1.05	128.3	2063.2	7.4	164.1	102.1	5.79	147.4
Masco Corp ..... N	26.13	1.00	4.0	26.75	24.25	40.88	18.75	23,146	1.75	1.12	56.3	15.8	.40	1.5	NEW	fiscal	12-87	543.3	20.7	30.8	- 44.4	.23	- 43.9	2023.3	39.3	218.8	7.6	1.65	5.8
Mor-Flo Inds ..... M	6.50	- .25	- 3.7	6.88	6.25	14.38	5.50	32	.13	.33	60.6	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co ..... N	37.75	4.88	14.8	37.75	32.75	43.00	21.13	2,209	1.91	1.05	81.9	13.7	1.00	2.6	.....	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Norlak Inc ..... N	8.75	1.00	12.9	8.88	7.50	17.38	5.00	3,833	2.43	1.77	37.3	14.6	.10	1.1	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	17.50	.75	4.5	17.50	16.50	32.38	9.00	9,604	2.56	2.20	16.4	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	11.25	- .25	- 2.2	12.00	10.75	18.13	9.00	1,878	1.68	1.35	24.4	10.1	.12	1.1	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot ..... N	22.25	3.38	17.9	22.50	18.75	27.25	9.75	9,442	7.86	2.67	194.4	9.5	.50	2.2	.....	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	37.6	28.1	77.8	2.33	76.5
Potlatch Cp ..... N	28.75	1.88	7.0	28.75	26.50	41.88	21.00	2,548	.95	.75	28.7	9.2	.92	3.2	.....	fiscal	12-87	252.7	3.9	24.9	23.9	.80	25.0	998.1	1.8	97.8	25.3	3.13	25.7
PPG Inds ..... N	39.50	6.25	18.8	40.00	32.75	53.50	27.50	26,294	2.20	.98	124.5	12.4	1.20	3.0	.....	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms ..... N	29.00	.25	.9	29.38	27.50	38.50	20.13	6,019	1.37	.76	80.3	13.5	.64	2.2	NEW	fiscal	12-87	408.3	16.5	20.3	- 30.5	.4b	- 42.5	1792.7	15.4	96.6	- 8.9	2.15	- 6.9
Stanley Works ..... N	28.00	2.25	8.7	28.00	24.88	36.63	21.25	3,989	.92	.49	87.8	14.0	.88	3.1	.....	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	-7.5
Thos Inds ..... N	20.75	2.38	12.9	21.13	18.25	21.53	13.81	1,667	1.59	.56	183.9	12.7	.65b	3.1	NEW	fiscal	12-87	80.5	6.5	4.8	50.0	.46	48.4	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind ..... N	24.38	- .25	- 1.0	25.00	23.63	44.00	22.50	5,682	2.50	1.41	77.3	10.9	.12	.5	.....	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp ..... N	35.25	2.13	6.4	35.50	32.75	48.13	26.00	13,984	1.90	1.14	66.7	12.5	1.16	3.3	.....	fiscal	12-87	809.8	14.0	59.0	37.9	.81	39.7	2307.5	12.8	207.5	59.7	2.63	58.5
USG Corp ..... N	33.50	5.38	19.1	33.63	27.63	55.88	23.50	26,077	5.76	2.13	170.4	8.5	1.12	3.3	.....	fiscal	12-87	725.8	4.4	17.2	- 68.6	.33	- 84.5	2868.1	6.4	204.3	- 9.4	3.56	11.9
Waxman Ind ..... M	11.63	1.75	17.7	11.63	9.63	13.25	7.25	2,663	4.22	2.46	71.5	14.5	.10	.9	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser ..... N	40.75	2.75	7.2	41.38	37.38	60.00	19.00	38,353	2.61	1.32	112.9	12.8	1.50	3.7	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6868.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

Texas manufacturer paves way for new specialty chain

(Continued from page 6)
types of concrete garden edging and DIY retaining wall systems.

Mechanical cutters and compactors are available for rent. "Otherwise, all [customers] need are shovels, wheelbarrows and a little bit of time," Hall said, explaining that the pavers are set into sand and require no mortar. Pavestone will keep landscape architects on hand in the store to advise customers and will offer DIY classes.

"You can train someone in 30 minutes and we're doing some videos," Hall said.

Installation and 100 percent financing are available.

"This is an experiment," Hall said of the store. "If it works, we'll continue throughout the Southwest."

He said Pavestone retail stores could become a company-owned chain or franchise operation.

Growth potential strong

Growth potential for paving stones as a residential product should prove strong, said the NCMA's Smith. He also characterized Pavestone as one of the nation's 10 largest manufacturers of pavers and said its retail store may be the first ever to specialize in the product. According to Hall, Pavestone has grown in eight years from a small manufacturer into a company that has "over 100 million pavers down in Texas."

The company now operates manufacturing plants in Grapevine and Tomball, Texas, and in Phoenix, Ariz. Recently, Pavestone has spent $3.5 million for an addition to its Grapevine factory and $2.5 million to build a new plant in Phoenix.

Hall said he expected others to copy Pavestone retailing efforts if the store succeeds.

Home centers are well positioned to compete in pavers, too, said Smith.

"They need more creativity in the way they're marketing them," Smith said of home centers. "There is an opportunity for manufacturers to develop the DIY market through home centers."

Paving stones make sense in home center lawn and garden departments, Smith said.

"It's the kind of product that could be marketed along with barbecues and lawn furniture," he said. "There's a need for more point of purchase brochures and displays."

Smith said that aggressive marketing of paving stones could take customers from the wooden deck business.

Thornton appointed Mr. Goodbuys ceo

(Continued from page 1)
Becker, president of Vend America, the investment arm of Vendex International.

Erlbaum and Neduscin will continue to serve on the board as chairman and vice-chairman, respectively.

Thornton, who joined the chain from the Orchard Supply Hardware operation in July 1986, will continue as president but as chief executive officer will also be in charge of the day-to-day operations of the chain.

"This is an evolution of management and was thoroughly planned and executed," said Becker.

"I have options to buy shares and a new deal is currently being worked out," said Thornton, who added that he would then hold a "nice portion" of the company.

Concept not altered

Thornton said that the shift in management would not alter the Mr. Goodbuys concept or its operations.

The chain will continue to pursue its current expansion program to open five stores by the end of 1988.

The first openings will be in Farmingdale and Westbury, N.Y., in early spring. These will be the first Mr. Goodbuys stores to open on Long Island, the area east of New York City.

The next store opening will be in Wilmington Del., and then a replacement store in Baltimore, Md.

Thornton said that the company was about to close on a fifth site, whose location he declined to name.

This would bring the chain's total to 17 stores by the year's end.

Wall Street set to parley with home center execs.

(Continued from page 6)
According to a prepared statement by the Institute, the analysts were selected from a master list of 260 people that was compiled from individual lists furnished by each active member company.

The agenda for the conference will be comprised of an introduction and industry overview, manufacturer/retailer panel discussions on the state of the industry, research presentation, and tour of the National Home Center Show.

Paine Webber analyst Lawrence Wagner in Chicago expressed interest in the conference as it encompasses several of the companies he covers for the firm. "You can never learn too much," he said, but added he was not sure he would attend.

Seymour Goodman, an analyst for Bear Stearns, Chicago, agreed that the conference was "an excellent idea" because it gives those involved with the industry a chance to meet each other. Goodman expected that there would be an analyst from his firm at the conference.

Clouse stressed that conference attendance will be limited to Institute members and invited analysts. It will be held in Room 20-12 on registration level of McCormick Place from 8:30 a.m. to 4 p.m.

Calcasieu lures top execs. into firm

(Continued from page 7)
softened during the state's economic malaise, Mitchell's hiring reflects the prevailing view in Texas that the economy is turning around.

"In hard economic times, the needs of the builder change, just as the needs of the supplier do," Mitchell said. "Because they have more time when business is slow, many builders stop using engineered trusses and build roof structures on site.

"This is much more labor intensive and less exacting than having trusses and components custom engineered by computer and fabricated under rigid shop conditions."

Mitchell said he hopes to satisfy the tract builder as well as the custom home builder with Calcasieu's services.

Serving commercial accts.

Richard Riley, vp of marketing for the company, said hiring of the new managers reflects Calcasieu's confidence about the future and its determination to prosper when the economy improves.

"This reflects a commitment we have to our market," Riley said. "But even more, it's our effort to really deserve our customer's business."

Riley said Calcasieu has moved in the recent past to cater to the commercial builder.

"Our core business has always been and will continue to be the residential builder, but as our competition left the market, there was a void in servicing the commercial account and we are stepping in to fill it," Riley said. "We're looking forward to the market improving and we have the financial resources to take advantage of it."

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Vol. 14, No. 5 March 7, 1988

Posner sentenced to devote next five years to homeless

By an NHCN staff editor

MIAMI — Former Evans Products chairman Victor Posner will be spending some time with people slightly out of his social sphere for the next five years.

The financier was sentenced in federal district court here on Feb. 12 to spend $3 million to help southern Florida's homeless and devote 20 hours a week for the next five years to working with them.

The 69-year-old Posner agreed to these terms—which are "non-negotiable and unappealable," according to Judge Eugene Spellman, who heard the case—to avoid what could have been a maximum 40-year jail sentence for evading more than $1.2 million in federal income tax by hyping the value of land he contributed to Miami Christian College. Last September, Posner pleaded no contest to 10 counts.

Prosecutors had asked for a prison sentence. But Judge Spellman took Posner's advanced age—and how much jail time he would actually serve—into consideration in agreeing to the compromise sentence, which was proposed by Posner's attorney Edward Bennett Williams in January.

Posner will also be under five years probation. He has 60 days to come up with a plan to help the homeless and his expenditures will not be tax deductible.

Any attempt to challenge the ruling will result in a prison term.

This is just one more blow to Posner and his deteriorating financial empire. Posner is remembered less than fondly by building materials and hardware suppliers for his stiffing them for payment on merchandise sent to Evans' home centers and for placing Evans and its lucrative retail division into Chapter 11 in March 1985.

During the bankruptcy proceedings, it was revealed that Posner's Miami Beach corporation was taking anywhere from $750,000 to over $950,000 per month from Evans in "upstreamed" funds that, in part, paid for the opulent lifestyle led by Posner and his entourage of family and friends he had placed in the boardrooms of most of his companies.

In July 1986, a federal judge in Miami approved a reorganization plan, devised by lawyers representing Evans' bank and trade creditors who were owed more than $750 million, that took control of Evans away from Posner completely, canceled all common and preferred stock in the company, and auctioned off all of Evans' nonretail divisions. In November of that year Grossman's Inc., a new retail entity, emerged from Evans' ashes. It was comprised of the Grossman's and Moore's operations. The Lindsley chain in Miami was sold to Westlake Hardware late last year.

Grossman's Inc. went public in early 1987. For the fiscal year ended Dec. 31, the company reported income from continuing businesses of $12.1 million on sales of $1.077 billion.

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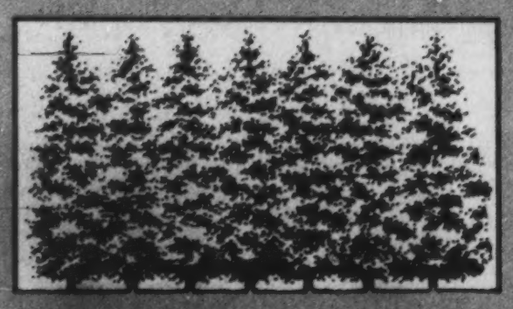
Despite weak demand lumber prices surge

By an NHCN staff editor

NATIONAL REPORT — Retail lumber buyers are encountering some of the highest prices they've known in what is normally an off-peak building season with soft demand.

Since the end of January, lumbers prices, particularly for the Pacific Northwest species and some Southern pine items, have risen an average of 20 to 25 percent higher than levels reached for the same time period last year.



While the timing of the price levels is unusual, there is little mystery behind the cause. Soft U.S. and Canadian dollars in foreign markets have made made lumber exports a growth industry, retailers and wholesalers concur.

Although supplies are reasonably ample, some sources said the domestic markets are literally in competition with Europe and Asia for North American lumber. It's a situation that could be particularly excruciating if poor weather, mill strikes or forest fires occur this summer.

Random Lengths' framing lumber composite price was up 15 percent the week of Feb. 19, while on one spe-

(Continued on page 89)

Liberty, Payless sign deal for distribution to 180 units

By Gary S. Ruderman

DES PLAINES, Ill. — In a major coup that could secure its industry leadership, Liberty Distributors was chosen to take over distribution of 2,000 to 3,000 products to 180 Payless Cashways units.

Under the open-ended vendor agreement, seven of Liberty's 23 distributor members will supply all Payless Cashways, Furrows, Hugh M. Woods and Lumberjack units across the country. The deal does not include New England's Somerville Lumber and the Midwest's Knox Lumber subsidiaries. The Kansas City, Mo.-based Payless operates 195 stores.

Dale Pond, Payless Cashways' senior vp-marketing and merchandising. NHCN photo

The Liberty-Payless deal could be precedent-setting, as other feeder-distributors are targeting the larger retailers as an area of growth. "That class of retailer is becoming very interested in what distribution can do for them," said Phil Mason, president of Chicago's Allied Hardware Service, Inc. "Ten years ago, it would not have occurred to Payless Cashways to talk to distributors."

Clair Tripp, Liberty's director of national accounts, called the arrangement revolutionary, particularly for Liberty. "For the first time in this industry, this group of distributors is going to function as one entity. It's about as united as you can get and maintain separate entities."

An estimated 90 percent of what Liberty distributors will ship to Payless' units are so-called "C" and "D" products, slow-moving or regional items.

But the remaining 10 percent will be fill-in orders for "high velocity" products. These are

(Continued on page 90)

Strober eyes sale of firm after ceo's untimely death

By Milford Prewitt

BROOKLYN, N.Y. — Officials of The Strober Organization, five weeks after the untimely death of its chairman and ceo, disclosed that selling the $101 million firm is one option they are considering.

And in a Securities and Exchange Commission filing, the widow of Eric D. Strober is also considering selling her family's 49 percent stake in the company.

Sue Stober is acting as executor of her husband's estate. The Strober family holds around 2.9 million shares.

Part of her filing stated that she is "considering (and understands that board of directors and management of the company may consider) various potential courses of action

(Continued on page 89)

NHCN photo

The late Eric Strober, chairman and ceo of The Strober Organization, in a photo taken in 1987.

Promos make thermostats year-round item

By Edward McKinley

NATIONAL REPORT — Home center dealers claim their promotional efforts have transformed setback thermostats—traditionally a winter-only product—into a year-round sales items.

(Continued on page 88)

NHCN photo

State Lumber's sales have dropped from the peak years when the firm was supplying contractors in Baton Rouge who built 40 to 60 houses at a time.

Baton Rouge struggles to surmount hard times

By Suzanne Floyd

BATON ROUGE, La. — Ed Price Building Materials, a local independent, has been servicing contractors here since 1961. But since the oil economy has plummeted over the past several years, Ed Price's growth has come to a screeching halt.

The independent isn't the only store that's been hard hit, either. Baton Rouge has seen Lowe's leave town along with two Stine Lumber locations, leaving the Sulphur, La.-based chain with but four units.

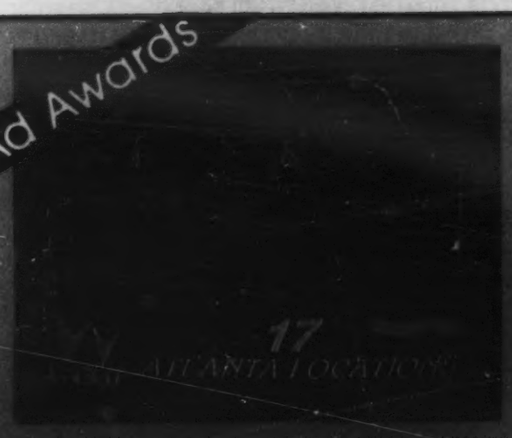
So Ed Price, a 75-to-80 percent contractor-oriented business, weathered the storm here by finding sta-

(Continued on page 90)

NHCN photo

State Lumber, in Baton Rouge, is trying to survive what its president, Lenoard Gremillion, calls an overstored market in an economic downturn.

INSIDE



National Home Center Industry Advertising and Marketing Awards

Golden Hammer Awards for the best 1987 TV ad campaigns by a chain with sales over $100 million and a manufacturer were handed out in Chicago this month to West Building Materials (left) and Rapid Gro (right).

NEWSBREAKS

FLORIDA INVESTOR WON'T CHALLENGE PAY 'N PAK MERGER: Paul Bilzerian and officials for the Kent, Wash., chain have agreed to dismiss lawsuits against each other. Management should take the chain private this spring.

G-P BUYS SUPPLIER AMID RUMORS OF QUEST FOR BOWATER: The Atlanta-based firm should complete its purchase of the assets of American Forest Products, Portland, Ore., by April. G-P declined comment about reports it seeks the British-based paper and pulp giant.

INDUSTRY UPDATE

Bunzl buys lumber distributor

DENVER — Gittings Lumber Co., a $17 million millwork and building materials distributor feeding more than 150 retail accounts in four states, was acquired by an arm of Bunzl Corp., the rapidly growing building materials distributor. This is the second major acquisition for Bunzl, which last month signed a definitive agreement to buy Stanline, the Norwalk, Calif., distributor.

The Gittings acquisition closed Feb. 29 for an undisclosed sum, according to Terry Picha, president of Indianapolis-based Bunzl Building Materials Service (BBMS).

Picha said Gittings would be integrated into the existing Illinois-based Hudson Group. The acquisition strengthens the growing distributor's position in the Denver market and "achieves a business objective of increasing the millwork component" of BBMS' mix, he said. Heading the Gittings operation is Gordon Wiseman, former manager of Western lumber sales for International Paper Co.

Hardware depts. duck Sears cuts

CHICAGO — Sears has no immediate plans to change the operations or personnel of the hardlines buying group as the nation's largest retailer restructures its merchandising organization.

In a prepared statement March 2, Sears merchandise group chairman Michael Bozic said the company would tailor buying departments to be more competitive to the forces in each sector over the next three years. Analysts believe the changes could trim 10 percent of Sears' merchandising group, primarily through attrition. They speculated changes would probably be focused on the highly competitive apparel side of the business.

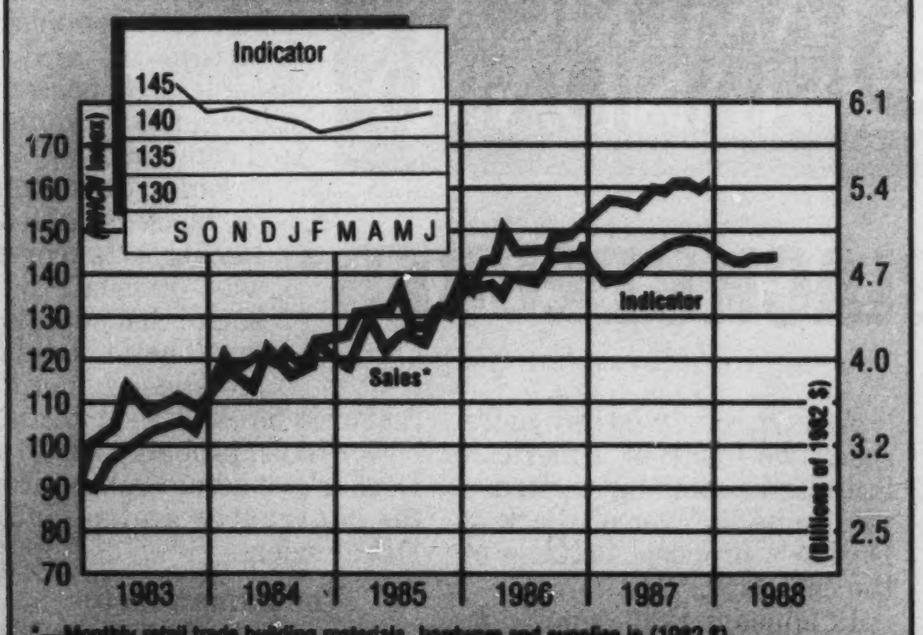
Since the restructuring decision preceded any actions, a Sears spokeswoman declined to speculate on the number of jobs that would be cut. The actions would not affect the retail hardlines and paint stores, according to Kathy Gucfa, assistant director of media relations here.

K mart stalks membership club

TROY, Mich. — K mart Corp. is buying a 51 percent ownership stake in Cincinnati-based Makro Inc., a four-unit membership warehouse chain selling groceries, apparel and hardline products.

Makro is an American subsidiary of SHV Holdings N.V., a privately held company headquartered in the Netherlands. SHV Holdings will continue to own 49 percent of Makro. Makro's warehouses range in size from 150,000 square feet to 200,000 square feet and operate in Atlanta, Cincinnati, Washington and Philadelphia. Later this year, K mart and the Bruno's supermarket chain are expected to open a joint hypermarket unit. It could not be determined whether K mart will run this operation in conjunction with, or separate from, the membership store.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in building materials sales in the near term due to weakness in single-unit housing starts. Business Watch highlights Florida, a state that will remain strong during this period.
(See the Business Watch column on page 75.)

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Somerville begins construction on Mass. distribution center

By an NHCN staff editor

WALTHAM, Mass. — Somerville Lumber broke ground on its new distribution center in Bellingham, Mass., on Feb. 26.

The DC is the pivotal point for Somerville Lumber's future expansion, which is concentrated on adding stores within its existing market area of New Hampshire, Massachusetts and Rhode Island.

The five-unit company expects to have between 12 and 15 stores by 1990 generating as much as $500 million in sales, according to David Cohen, president of Somerville Lumber, a subsidiary of Payless Cashways.

"With this new facility, we will have a more efficient stock replenishment system for our stores, and that in turn will allow us to serve customers better," said Cohen.

The new facility is expected to be open by January 1989.

The facility will consist of a 336,000-square-foot automated distribution building and a 112,000-square-foot building for storage of lumber and other building supply products.

David Cohen, president of Somerville Lumber. NHCN photo

The DC compliments existing storage and warehouse facilities in Charlestown and at each of the company's stores, and will employ approximately 120.

Certain items will be replenished automatically by the DC. But store managers will be able to override the system to make "suggested" orders for other products. In addition, the DC will also be used to fill customers' high-volume orders and deliver them directly.

Before the DC is opened Somerville expects to add three additional stores in Warwick, R.I., (a former JT's Home and Builders Centers unit), as well as stores in Hanover and Acton, Mass.

As Somerville moves to fill in its existing market area, the newer stores will be closer together. In 1989 the chain will open in Lunenburg, northwest of Boston; in Manchester, its second New Hampshire unit; and in Dartmouth, Mass.

The Dartmouth store will be located on Route 6, approximately 30 miles from Somerville's Seekonk store.

It will also be only one mile from the first Builders Square store to open in Massachusetts in a remodeled K mart unit on Faunce Corner Road.

Manville to clean up asbestos facility

By an NHCN staff editor

DENVER — Manville Corp. here has signed a consent agreement with the U.S. government to clean up its Waukegan, Ill., asbestos facility. The site is part of the Environmental Protection Agency's (EPA) superfund program, which administers the clean-up of hazardous waste sites throughout the country.

Manville has already put $3.5 million in escrow to pay for the clean-up activities required by the consent agreement, according to Marvin Clumpus, manager of facilities restoration.

Manville is scheduled to begin work this year and will complete the project by 1990 at an estimated cost of between $4.5 million and $5 million.

Under the consent order Manville agreed to several clean-up activities. It has to provide a 24-inch cover of sand, clay, topsoil and vegetation over the asbestos disposal site and will monitor the program to ensure that no asbestos reaches the surface of the cover and becomes released into the air.

Manville is also involved in the cleanup of two other hazardous waste sites in Long Beach, Calif., and Nashua N.H.

Molson buys 50% of home decor chain

By an NHCN staff editor

TORONTO — Molson Co.'s specialty retailing group, which includes the Beaver Lumber chain, added another dealer to its stable of companies last month when it purchased a 50 percent share of B.B. Bargoon's, a specialty home decor chain, for an undisclosed sum.

The 10-store B.B. Bargoon's did $6 million (Canadian) in sales in 1987. It was started in the early 1980s by Bonnie Bickel (the "B.B." in the store name), who will retain 50 percent ownership of the company and remain as its president.

Its 4,000- to 6,000-square-foot units carry high-end fabrics, wall coverings and accessories. The deal was finalized Feb. 8.

By the end of 1988, the company intends to have 23 stores opened doing $10 million. Already there is a store under construction in Halifax, Nova Scotia, and the company is investigating sites on Canada's West Coast.

One of its current stores is a franchised unit and franchising appears to be the key to future expansion of the chain.

Catherine Byers, the controller for B.B. Bargoon's, told *NHCN* that 16 franchises and seven company-owned stores would be built and opened over the 18 months, along with one other corporately held unit being renovated, bringing the chain's total number of units to 33.

The B.B. Bargoon's merger brings to five the number of companies Molson operates under its specialty division, including one Nühaus high-end kitchen store, two Aikenhead hardware stores, two Wares and Wares kitchen accessories units that will grow to eight by year end, and 62 Lighting Unlimited specialty lighting outlets.

Molson also operates 197 Beaver Lumbers, including 17 stores held jointly with Groupe Val Royal and 14 Lockharts units. (Five of the Quebec-located Val Royal units have been remodeled and are reopening this month.)

Max Isaac, chief financial officer for Molson's specialty group, explained that Molson's acquisition strategy was to buy companies that serviced "the whole home environment."

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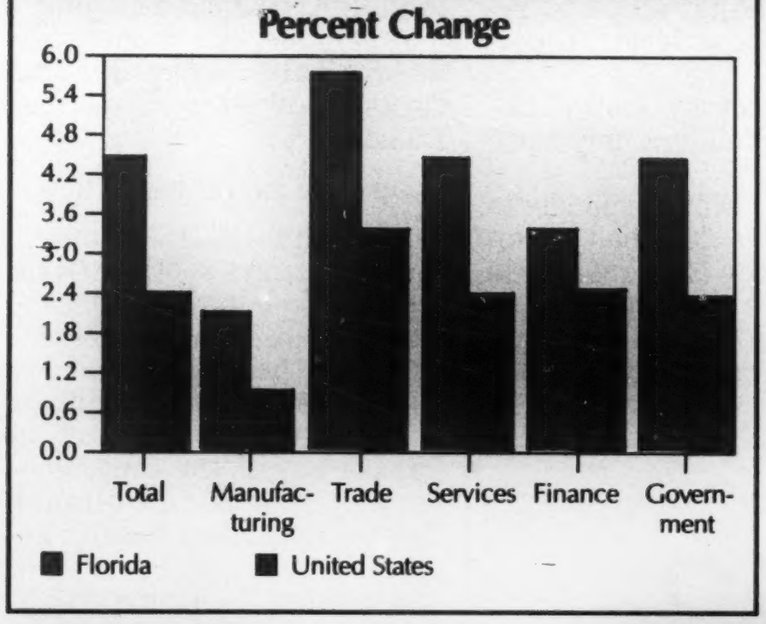
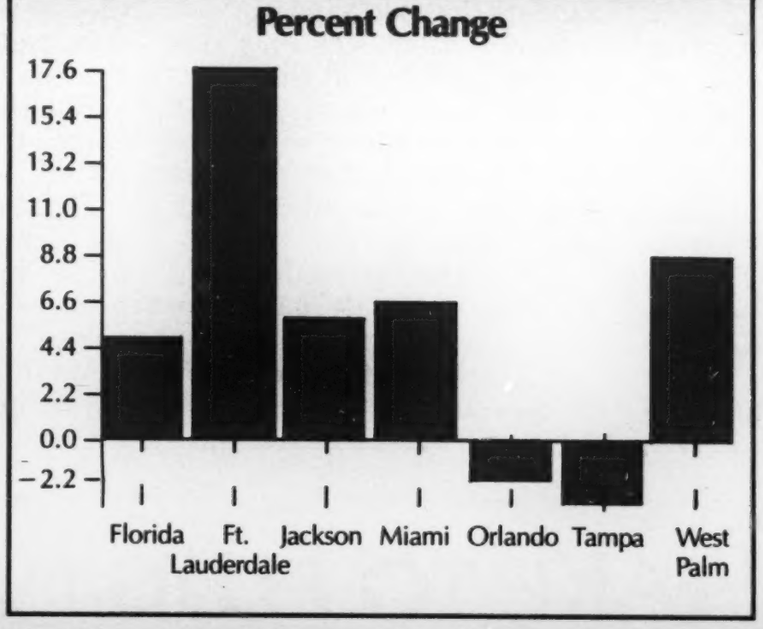
Business Watch

Section 4

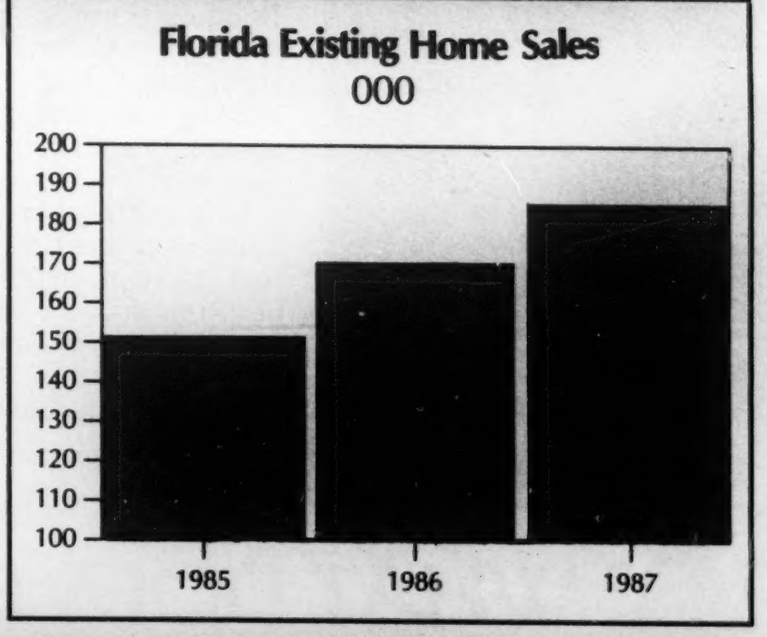
Strong income gains . . .



. . . and strength in housing . . .



. . . keeps Florida sales up.



Strong Fla. economy will spur building materials sales

By Richard Mount
Special to NHCN

Building materials sales appear headed for another record in a competitive Florida market.

Florida will be one of the stronger markets for commodities in 1988, increasing 5 percent this year, slightly stronger than the expected 4 percent increase for the South Atlantic states and the nation.

Employment gains in Florida are running 4.4 percent ahead of a year ago, compared to a national increase of 2.4 percent. For each major employment category except construction, the state leads the nation by a wide margin. The major problems with construction in Florida are concentrated in multiunit dwellings and commercial buildings, but not in resales or single unit starts, which are more important for building materials retailers.

Richard E. Mount

Single unit housing starts rose 5 percent in Florida last year; they went up only 3 percent nationally. The strongest markets—up 20 percent to 25 percent—were in Fort Lauderdale, Sarasota and Tallahassee. The weakest, including Melbourne, Orlando and Tampa, were off 3 percent to 3.5 percent, in line with the national average.

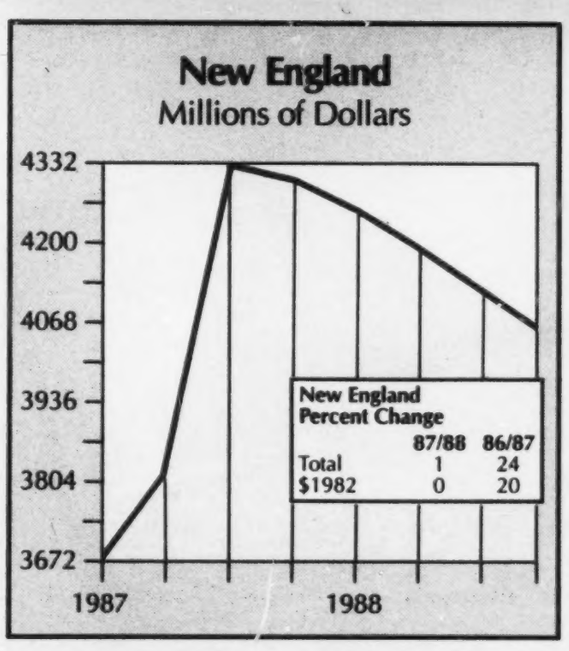
Florida resales, the best indicator of future retail building materials sales, continued to outpace the nation, rising 8.7 percent to 184,200 units. Nationally, they were down 1.3 percent.

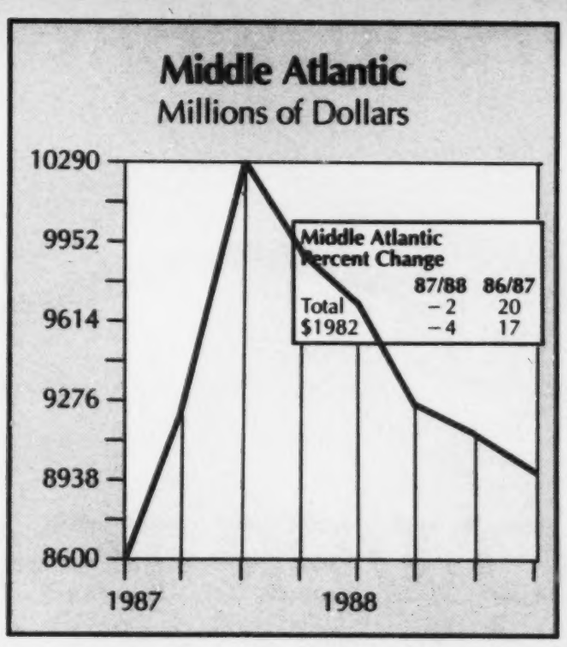
Florida's economy should outperform the nation again in 1988. It has a strong computer sector. Nationally, problems exist in the auto and financial services sectors that are less important to a diversified Florida economy.

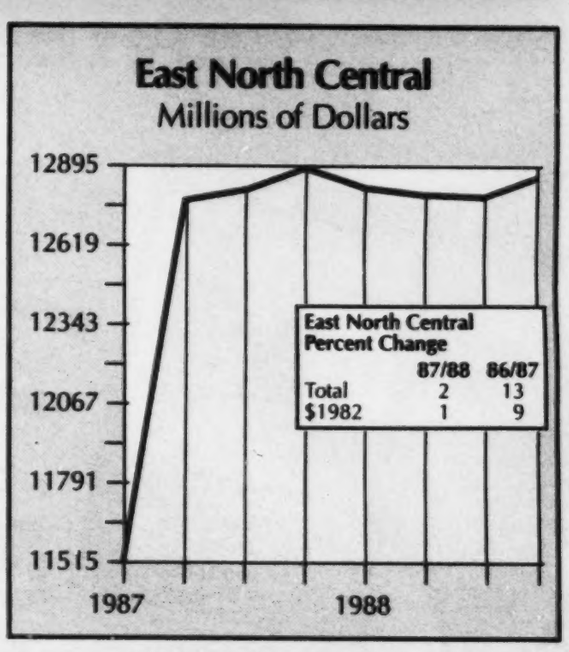
Preliminary data suggest that retail building materials sales declined about 2 percent in Florida last year. For 1988, a gain of 5 percent is expected. Current levels of employment, single unit housing starts and resales are indicators of improved future sales.

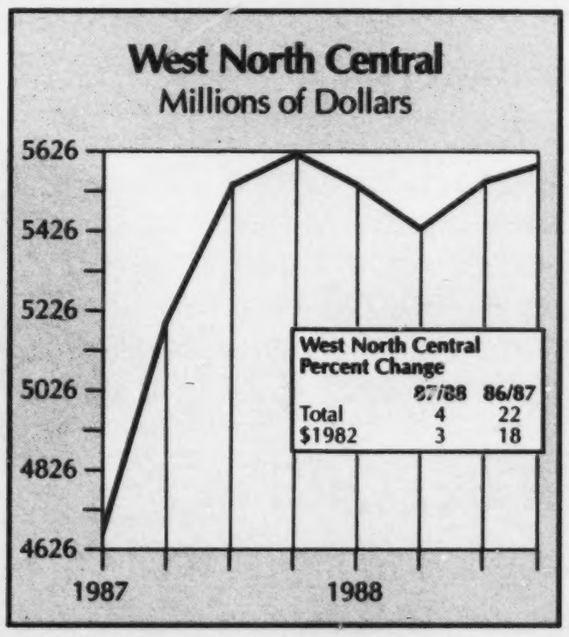
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

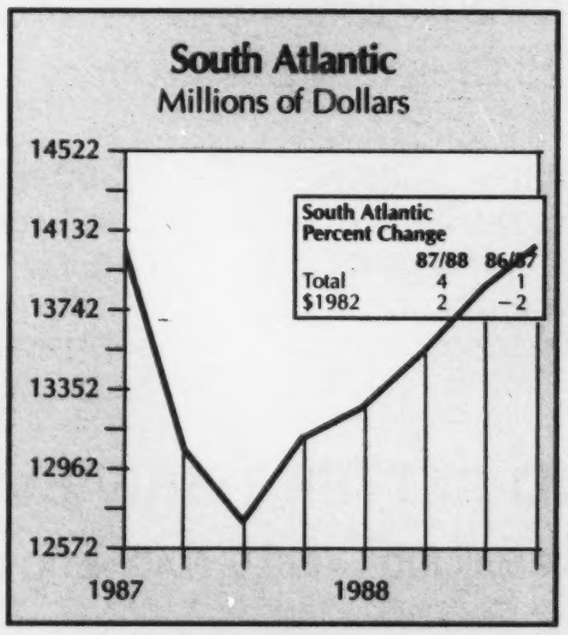
Regional Outlook: Building Material Sales

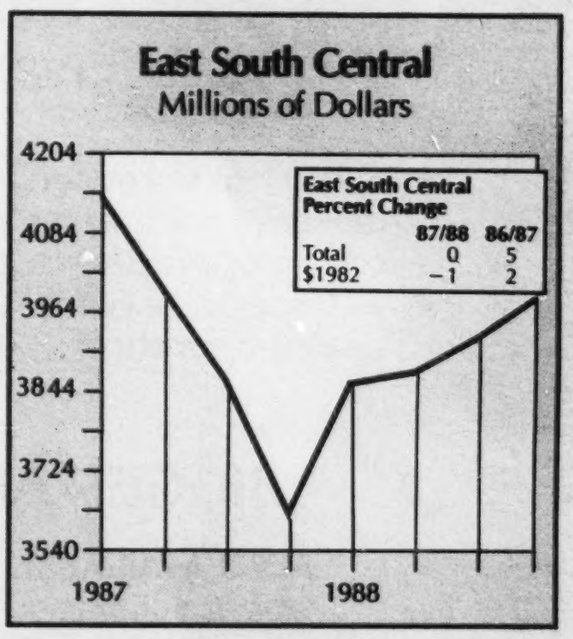


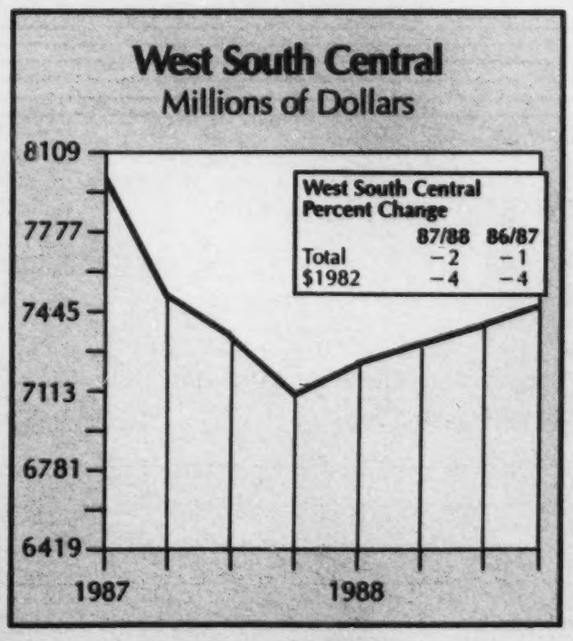


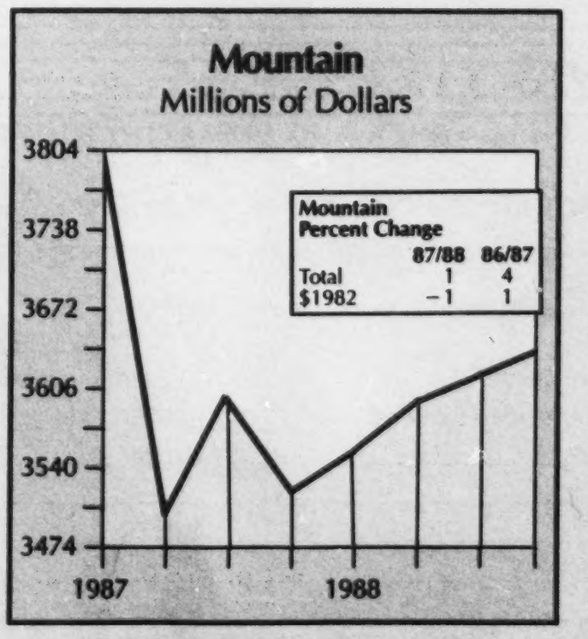


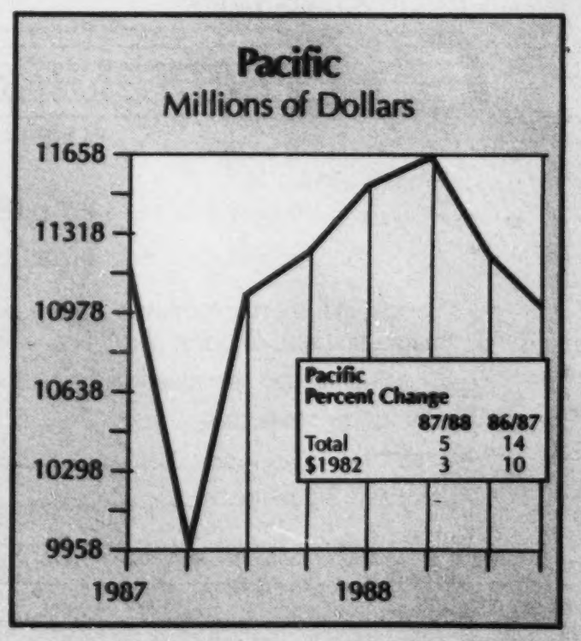












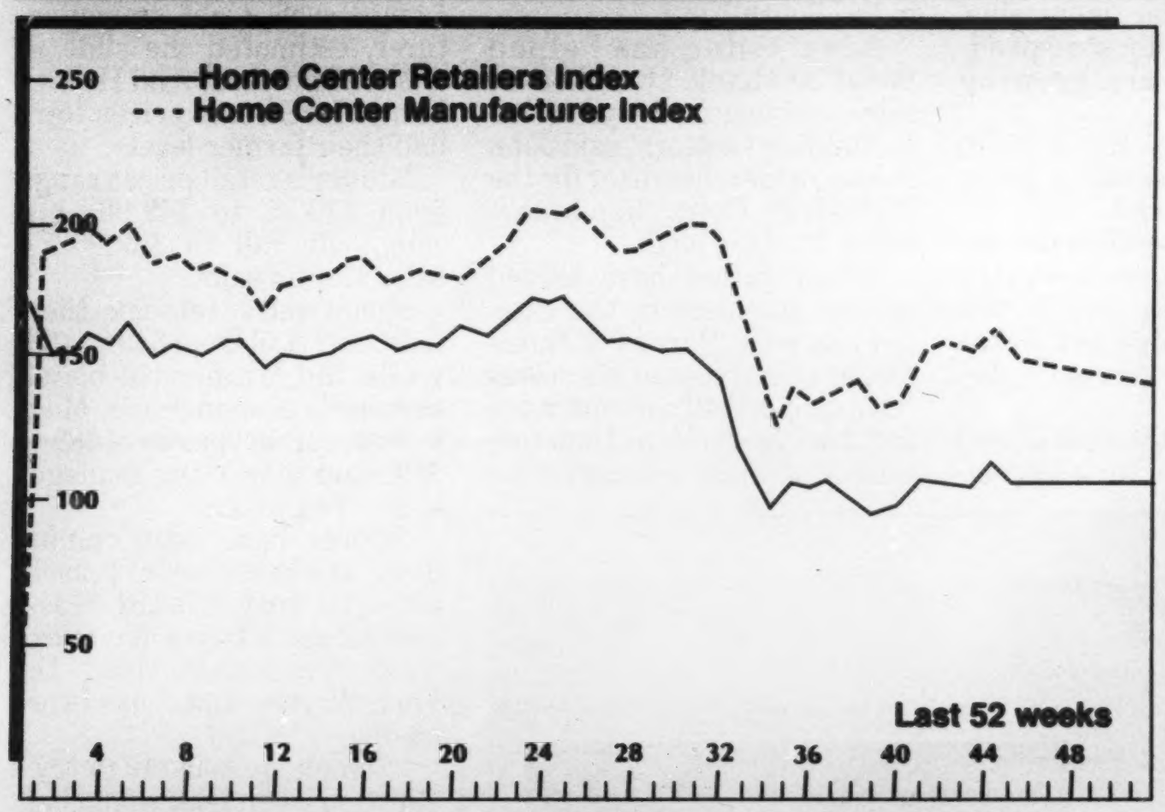
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on March 4 , 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Stocks surge in 2-week period

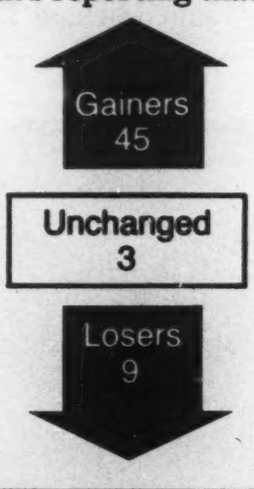
The two-week period ended March 4 was a bonanza for most home center industry stocks. The shares of 45 companies gained in price, while only nine stocks fell and three remained unchanged.

Among retailers, the biggest winner was The Strober Organization, the Brooklyn, N.Y.-based dealers whose stock increased by 15.2 percent to $9.50. Zayre Corp., which reported strong sales and reasonable profitability from its HomeClub warehouse home center operation, also made a strong showing on Wall Street. The Framingham, Mass.-based retailer's stock, which was the most actively traded during the period, jumped 14 percent to $22.38 for the period.

A few dealers didn't fare as well, however. Wolohan Lumber's stock price fell 5.7 percent to $12.38. This price, though, preceded Wolohan's reporting that its net income skyrocketed 71 percent to $9 million in 1987. National Hardgoods and General Building Products saw their stock prices fall 2.5 percent and 2.6 percent, respectively.

On the manufacturer front, the biggest gainer was CertainTeed Corp. whose stock price rose 57.4 percent to $46.63 on the heels of an extremely strong fourth quarter and reports that its parent company has offered to buy all its shares.

Fifty-two million shares of American Standard's stock exchanged hands, but the price for the New York supplier—which is being pursued by Black & Decker in a takeover bid—stabilized, rising only 7.2 percent to $72.50.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-04-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods	4.75	- .13	- 2.6	5.50	4.50	12.50	4.00	1,382	3.46	.88	293.2	8.2	.00	.0	.....	fiscal	11-87	18.1	9.0	.3	- 57.1	.10	- 56.5	67.6	17.8	2.1	5.0	.58	- 13.4
Grossman's Inc ..... M	7.50	.50	7.1	7.63	6.88	11.25	4.13	13,898	5.32	2.85	86.7	14.2	.00	.0	.....	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A ..... M	19.50	.50	2.6	19.75	19.00	26.50	14.25	3,463	3.17	2.04	55.4	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.88	- .13	- .7	19.50	18.75	26.75	15.50	857	.53	.15	253.3	16.1	.06	.3	.....	9 mos.	10-87	185.0	24.1	9.4	49.2	.27	28.6	553.6	23.5	29.2	49.0	.89	39.1
Home Depot ..... N	23.75	2.00	9.2	24.75	21.63	28.09	12.13	25,655	5.22	1.72	203.5	24.0	.08	.3	.....	9 mos.	10-87	364.3	44.9	9.7	148.7	.19	90.0	1079.7	46.4	38.1	135.2	.81	92.9
INTERCO Inc ..... N	41.00	1.25	3.1	42.00	39.50	54.00	29.50	5,639	1.42	.90	57.8	11.5	1.60	3.9	.....	9 mos.	11-87	924.0	22.0	43.5	46.0	1.05	11.7	2548.3	29.9	108.4	60.4	2.57	20.1
K mart Cp ..... N	33.63	- .25	- .7	36.00	32.88	48.38	21.63	63,132	3.13	1.25	150.4	10.2	1.16	3.4	.....	9 mos.	10-87	5973.3	5.0	110.1	26.1	.54	22.7	17872.0	5.9	371.0	24.8	1.82	22.1
Lowe's Cos ..... N	19.13	.13	.7	20.25	18.88	32.75	15.25	8,774	2.21	1.24	78.2	12.4	.44	2.3	NEW	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	4.88	- .13	- 2.5	5.13	4.88	9.50	3.75	71	.52	.83	- 37.3	7.4	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber ..... M	3.25	.25	8.3	3.25	3.00	7.00	2.75	278	.49	.42	16.7	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak ..... N	15.88	.50	3.3	17.75	15.63	21.50	11.50	918	.92	.61	50.8	14.8	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash ..... N	14.25	.88	6.5	14.63	13.38	26.88	9.63	25,308	7.30	2.45	198.0	17.6	.16	1.1	.....	fiscal	11-87	457.3	13.3	- 2.7	- 100.0	- .08	- 100.0	1768.1	15.9	28.1	- 33.7	.81	- 33.6
Scotty's Inc ..... N	14.50	.75	5.5	15.13	13.50	15.88	10.00	2,259	1.55	.48	222.9	18.8	.52	3.6	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck ..... N	38.50	1.50	4.1	39.88	35.50	59.50	26.00	102,736	2.71	.99	173.7	8.9	2.00	5.2	.....	fiscal	12-87	14048.4	4.8	562.1	3.5	1.49	2.8	48439.6	8.3	1649.4	22.1	4.35	20.2
Std Brd Pnt ..... N	14.88	.25	1.7	15.50	14.50	31.88	11.88	1,881	1.67	1.38	21.0	10.8	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	9.50	1.25	15.2	10.50	9.00	15.25	6.25	1,262	2.08	.84	147.6	10.3	.00	.0	.....	9 mos.	09-87	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos ..... N	10.13	1.00	11.0	10.50	8.88	25.00	7.25	18,554	3.88	2.40	61.7	4.0	.00	.0	.....	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber ..... M	12.38	- .75	- 5.7	13.13	12.25	18.75	8.75	1,461	2.49	1.19	109.2	8.1	.24	1.9	NEW	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp ..... N	22.38	2.75	14.0	23.88	19.25	37.00	13.50	111,636	19.69	5.01	283.0	8.1	.40	1.8	.....	9 mos.	10-87	1601.7	21.7	21.2	- 7.4	.57	- 5.1	4300.4	20.3	120.4	147.7	2.03	147.6
Wholesalers																													
Hughes Supply ..... N	26.75	.00	.0	27.25	26.75	30.25	19.75	479	1.44	.78	84.6	10.7	.40	1.5	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley ..... M	5.00	.50	11.1	5.00	4.00	9.75	3.75	200	.80	.38	110.5	19.2	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.88	.00	.0	7.13	6.88	9.88	5.75	300	.75	1.50	- 50.0	18.1	.28	4.1	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc ..... M	12.88	.13	1.0	12.88	12.63	13.31	6.19	633	3.55	1.38	157.2	11.9	.32b	2.5	.....	fiscal	10-87	17.9	12.6	.5	.0	.32	6.7	64.9	8.7	1.9	18.8	1.08	22.7
Manufacturers																													
Am Consum Prods ..... M	13.75	2.50	22.2	13.75	11.00	14.25	7.88	660	3.18	1.13	181.4	17.2	.00	.0	NEW	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard ..... N	72.50	4.88	7.2	72.50	67.63	72.50	30.50	52,485	16.81	7.65	119.7	17.3	1.80	2.5	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark ..... M	8.88	.13	1.4	9.25	8.00	17.13	6.50	1,745	2.55	.48	431.3	10.3	.00	.0	NEW	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	98.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld ..... N	38.25	2.00	5.5	38.63	36.00	47.38	22.50	27,780	5.92	1.85	220.0	12.0	.90	2.4	.....	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker ..... N	18.50	- .50	- 2.6	19.88	18.00	26.50	13.00	35,174	6.03	3.29	83.3	16.8	.40	2.2	.....	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade ..... N	47.63	2.13	4.7	47.63	44.75	52.13	28.81	14,431	3.20	1.48	116.2	12.9	1.20	2.5	.....	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed ..... N	46.63	17.00	57.4	47.00	29.50	47.00	24.13	17,620	9.28	1.10	743.6	14.4	1.00	2.1	.....	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl ..... N	36.50	2.88	8.6	36.75	33.38	44.63	21.75	47,996	5.04	1.86	171.0	9.1	.80	2.2	.....	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl ..... M	8.25	.13	1.5	8.50	7.75	18.25	5.00	2,914	5.73	1.02	461.8	14.2	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	59.63	.75	1.3	61.00	57.50	74.50	39.00	12,435	2.53	1.21	109.1	17.2	1.80	3.0	.....	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc ..... N	30.00	2.13	7.6	30.00	27.75	42.00	21.00	778	1.96	1.61	21.7	11.3	1.40	4.7	.....	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Eckart Corp ..... N	21.75	1.88	9.4	22.50	19.88	26.63	15.50	9,512	1.52	.62	145.2	12.8	.80	3.7	.....	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific ..... N	37.50	.38	1.0	38.50	36.88	52.75	22.75	22,533	2.13	1.60	33.1	8.9	1.20	3.2	.....	fiscal	12-87	2229.0	25.2	112.0	34.9	1.07	42.7	8603.0	19.1	458.0	54.7	4.23	57.2
Imasco Corp ..... N	19.38	.63	3.3	19.75	18.63	28.13	14.00	5,265	2.52	1.24	103.2	5.0	1.00	5.2	.....	fiscal	12-87	93.4	- 45.8	- 40.7	- 100.0	2.58	486.4	637.7	- 14.4	- 13.9	- 100.0	3.85	143.7
La Pacific ..... N	28.25	.13	.4	30.25	28.38	39.75	21.50	6,063	1.58	.97	62.9	8.9	.80	2.7	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel ..... M	16.38	.00	.0	17.13	16.25	23.50	12.00	7,016	.69	.48	43.8	NA	.85	NA	.....	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp ..... N	2.50	.13	5.3	3.00	2.38	5.38	2.00	5,017	2.09	1.16	80.2	.4	.00	.0	.....	fiscal	12-87	522.5	12.8	31.5	82.1	1.05	128.3	2063.2	7.4	164.1	102.1	5.79	147.4
Masco Corp ..... N	26.50	.38	1.4	27.63	26.00	40.88	18.75	34,587	2.61	1.16	125.0	16.1	.40	1.5	.....	fiscal	12-87	543.3	20.7	30.8	- 44.4	.23	- 43.9	2023.3	39.3	218.8	7.6	1.65	5.8
Mor-Flo Inds ..... M	6.00	- .50	- 7.7	6.75	6.00	14.38	5.50	72	.29	.29	.0	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co ..... N	38.50	.75	2.0	40.50	37.63	43.00	21.13	3,476	3.01	1.03	192.2	14.0	1.00	2.6	.....	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Norlek Inc ..... N	9.38	.63	7.1	9.75	8.75	17.25	5.00	3,930	2.49	1.41	76.6	15.6	.10	1.1	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	19.00	1.50	8.6	20.13	17.25	32.38	9.00	28,720	7.93	2.31	243.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	12.63	1.38	12.2	12.88	11.13	18.13	9.00	2,608	2.33	1.30	79.2	19.1	.12	1.0	NEW	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot ..... N	21.25	- 1.00	- 4.5	22.50	20.50	27.25	9.75	7,470	6.21	2.76	125.0	9.1	.50	2.4	.....	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	37.6	28.1	77.8	2.33	76.5
Polaroid Cp ..... N	31.00	2.25	7.8	31.25	28.63	41.88	21.00	3,093	1.16	.72	61.1	9.9	.92	3.0	.....	fiscal	12-87	252.7	3.9	24.9	23.9	.90	25.0	992.1	1.6	87.6	25.3	3.13	25.7
PPG Inds ..... N	40.50	1.00	2.5	41.88	38.50	53.50	27.50	31,365	2.63	1.01	160.4	12.7	1.20	3.0	.....	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms ..... N	29.13	.13	.4	29.13	28.25	38.50	20.13	11,405	2.59	.80	223.8	13.5	.64	2.2	.....	fiscal	12-87	408.3	16.5	20.3	- 30.5	.46	- 42.5	1792.7	15.4	96.6	- 8.9	2.15	- 6.9
Stanley Works ..... N	28.50	.50	1.8	29.38	27.00	36.63	21.25	5,680	1.30	.52	150.0	14.3	.88	3.1	.....	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	7.5
Thos Inds ..... N	21.00	.25	1.2	21.38	20.50	21.53	13.81	2,431	2.32	.68	241.2	12.8	.68b	3.2	.....	fiscal	12-87	80.5	6.5	4.8	50.0	.46	48.4	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind ..... N	27.38	3.00	12.3	28.50	23.88	44.00	22.50	13,403	5.90	1.70	247.1	12.3	.12	.4	.....	9 mos.	09-87	1238.9	75.5	45.6	82.4	1.59	- 15.4	3340.3	77.3	90.0	88.7	3.09	- 9.9
Union Camp ..... N	35.50	.25	.7	36.25	34.13	46.13	26.00	13,923	1.89	1.00	73.4	12.5	1.16	3.3	.....	fiscal	12-87	609.8	14.0	59.0	37.9	.81	39.7	2307.6	12.8	207.5	59.7	2.83	59.9
USG Corp ..... N	39.50	6.00	17.9	40.63	32.25	55.88	23.50	70,545	13.70	2.84	382.4	10.0	1.12	2.8	.....	fiscal	12-87	725.8	4.4	17.2	- 60.6	.33	- 64.5	2868.1	6.4	204.3	- 9.4	3.96	11.9
Weyerhaeuser ..... N	43.00	2.25	5.5	44.00	40.88	60.00	19.00	35,980	2.64	1.32	100.0	13.5	1.50	3.5	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6869.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—Not meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data are primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Liberty, Payless sign deal for distribution to 180 units

(Continued from page 1)
the popular, name-brand items, which individual stores might need immediate fill-in orders that may be too small to wait for direct shipments from manufacturers. It is this segment that will boost Liberty's stature among vendors.

"Vendors will be on the shelf more often," said Tripp. "Being on the shelf at Payless Cashways is like gold. They move the product."

Tripp said the number of stockkeeping units that Payless buys from Liberty through two-step distribution could grow in the future.

In the past, Payless units depended on as many as 15 to 20 different hardware distributors belonging to a number of marketing organizations around the country for fill-in items, one source said. A Payless spokeswoman said the chain would still rely on "specialty" distributors to supply products like aerosol and explosive products Payless doesn't want to warehouse.

To Payless, the arrangement means it won't have to stock the 2,000 to 3,000 market-sensitive items in its new Sedalia, Mo., distribution center. The Sedalia distribution center, slated to open in April, will carry 10,000 skus and service 150 Payless stores. Commodities will continue to reach the Payless stores through direct shipment, the company stated on March 1.

"This agreement will enable us to maximize our use of the new distribution center, allow stores in different regions to continue to stock market-specific items and to remain sensitive to the needs of our customers," said Payless' senior vp-marketing and merchandising Dale Pond, in a prepared statement. "We also believe we can enhance our buying power by combining the sourcing of these unique items under the umbrella of one distributor."

Others sought business

Payless' decision to seek two-step purchases came after it conducted a lengthy store-need inventory analysis prior to stocking the Sedalia distribution center.

Liberty, whose estimated 1987 sales of more than $940 million make it the largest of the seven hardware distribution groups, was reportedly vying with other wholesaler organizations—including Sentry Hardware, Des Plaines, Ill; CoastAmerica in Denver and possibly as many as five others—for the Payless business, according to a source close to selection process which began last December.

Each candidate was issued a "shopping list" of the products and vendors Payless sought, a source reported. Payless decided on Liberty Feb. 16.

This is the second major vendor arrangement Liberty has garnered in the last 2½ years, according to Hooten. In 1985, Liberty was selected to supply hardlines to 300 of the 373 units operated by 84 Lumber, the Pennsylvania chain.

In addition to 84 Lumber, Liberty reaches an estimated 2,500 retail dealers with marketing, merchandising and advertising support under the Trustworthy Hardware banner. Tripp said the new Payless relationship shouldn't pose a competitive problem with neighboring Trustworthy Hardware stores. "The merchandising relationship with Payless is just that. It's not a service relationship [like] with the Trustworthy stores."

Supplies other dealers

Hooten reported Liberty was able to secure the business because of its ability to offer "common vendors, common pricing and common servicing" like price stickers.

Unstated, however, was Liberty members' past track record. In addition to 84 Lumber, which is serviced by a broad base of Liberty distributors, individual Liberty distributors have experience in supplying large retailers. Farwell, Ozmun Kirk & Co., the St. Paul, Minn., member, is a supplier to mass merchandiser Target; Frederick Trading Co., Frederick, Md., has been a major supplier to the Hechinger Co.

"We are extremely pleased," said Liberty president Hooten. "We set up a program to pursue national accounts 18 months ago and brought [Clair] Tripp aboard nine months ago." Tripp, 39, spent 11 years with Farwell, Ozmun Kirk & Co., and several years with Wright Products in St. Paul, a storm and screen door parts manufacturer.

The Payless deal involves these Liberty distributors: The Wyeth Co., St. Joseph, Mo.; Amarillo Hardware, Amarillo, Tex.; Orgill Bros., Memphis, Tenn.; Farwell, Ozmun & Kirk; Jensen-Byrd Co., Spokane, Wash.; Kruse Hardware Co., Cincinnati; and American Wholesale Hardware, Long Beach, Calif.

Baton Rouge dealers face tough times

(Continued from page 1)
bler climes—in Murphysburg, Tenn., where it just opened its second location.

"Business has been great in Tennessee," said Ed Price, president. About Baton Rouge: "It's hard to say. Our biggest problem has been the weather. I'm hoping it's [the economy] bottomed out. Jimmy Swaggart hasn't helped."

(Swaggart is the television evangelist whose admissions of immorality have undermined the credibility of his ministry, described by locals as the area's third largest industry.)

While Price is the only independent interviewed that migrated to Tennessee, other dealers talked about it.

In Baton Rouge, business has been off for the past three years. New construction is almost nonexistent. Houses are empty. And now, Payless Cashways has opened a store here last month.

"We think that the market will turn around in the next year, and we want to be well positioned in the market", said an optimistic Brenda Nolte, spokesperson for the 194-store operator out of Kansas City, Mo.

Payless opened the first of two Baton Rouge stores on March 2. The second unit is still under construction. Nolte said each unit would employ between 50 and 65 people.

"Maybe [Payless] knows something I don't know," said Louis Miller, general manager for Naylor's Hardware and Garden Center, a three-location hardware chain.

The prospects of competing against Payless, as well as Home Depot, which has a store here, can't be too heartening for independents. But market conditions have been improving slightly of late for Stine Lumber, which reports that sales are better than projected since August, when it shuttered the Baton Rouge stores. "We hit over budget," said Gary Stine, president.

"The economy was bad for too long, we didn't want to wait for it to turn around."

But for the North Carolina-based Lowe's, things aren't getting better fast enough.

"We felt that the [Baton Rouge] market wouldn't be able to turn back quickly," said a Lowe's spokesperson. Lowe's has a store in nearby Baker, located north of Baton Rouge, whose sales performance it is satisfied with.

Baton Rouge At A Glance

Population	557,100
Building Materials and Hardware Sales	$289.3M
Total Retail Sales	$3.2M
Effective Buying Power	$6B
Building permits, 1987	774*

Source: *Sales and Marketing Management*, Survey of Buying Power, July 1987
*Greater Baton Rouge Home Builders Assn. NHCN chart

State Lumber, a local independent, is striving to survive in what its president calls an overstored market in an extended economic downturn. "Our volume is down," said Leonard Gremillion Jr., president. "It's a tough situation for independents. We're the people that helped build this town."

Gremillion did not disclose sales figures but he said they were down appreciably from the peak years when the 42-year-old State was supplying contractors who built 40 to 60 houses at one time.

Juban-Watson Lumber Co., a local 40-year-old contractor-oriented independent, also made a move, from an established location to a less developed area where Baton Rouge was growing at breakneck speed before the most recent downturn. "It's still a growing area," insists Phillip Juban, president, whose company gets 60 percent of its sales from contractors. "We know our clientele. We know what people want, and we have what the others don't have. We stay up on what they like. The chains come in and they have the basic items."

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Vol. 14, No. 6 March 21, 1988

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Women's group gets help from Home Depot

By an NHCN staff editor

BATON ROUGE, La. — Home Depot provided the experts. The Young Women's Christian Association (YWCA) provided the audience. The result was women who gained the confidence to perform minor home repairs.

"Having women gain in traditional skills to be less reliant on others and more confident in themselves is a major goal of the YWCA," said Kim Garrett, project developer and volunteer coordinator. To fulfill this objective, the YWCA approached the local Home Depot about a seminar series that focused on minor home repairs. The YWCA asked Home Depot to provide the experts and to help publicize the series.

The Atlanta-based chain—which declined to comment on this program—took out a full-page ad stating the seminar's objectives and, according to Garrett, "Our phone was ringing off the hook that day."

Home Depot also donated giveaway items for each seminar, such as a cordless drill for the session on various tools and their uses, a ceiling fan for electric installations, an oak bathroom set and a gift certificate for paint and wallpaper.

At the end of the series there was a drawing for a $100 Home Depot gift certificate.

The YWCA knew of the high rate of single, divorced and widowed women who would be interested and in need of the seminar series. What the YWCA didn't expect was the number of women who attended because their husbands were not interested in working around the house.

The seminars were held on consecutive Sunday afternoons at the cost of $5 each. Members could attend the series for $15. For nonmembers, the $25 cost included a YWCA membership.

Another objective of the seminar series was to raise money for YWCA youth and teen programs as well as to increase its membership. About 30 women attended each course, raising over $800 for the organization.

While Garrett is a personal fan of Home Depot, there were other reasons for approaching the Atlanta-based chain. "We knew that we needed a big chain with a big budget. We also know that Home Depot does a lot of advertising. We knew that we couldn't get a smaller chain to do the ads for the YWCA."

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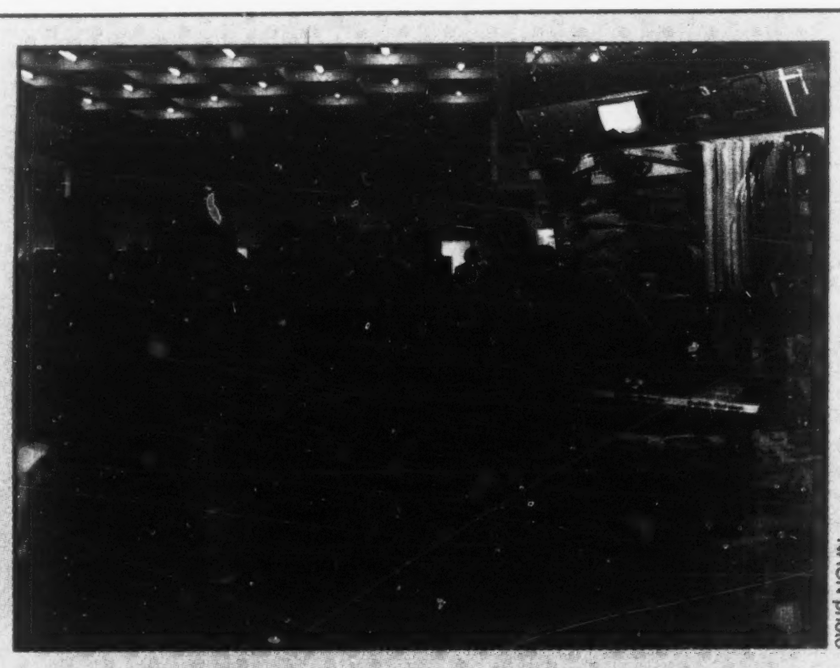

NHCN photo

Attendance at the International Hardware Fair, held in Cologne last month, was 8 percent ahead of last year's mark.

Companies sniff out new trends in Cologne

By Ken Schept

COLOGNE, West Germany — Carlo Valli sits at a table in the Valli & Colombo booth sipping camomile tea.

The tall, elegant chief executive reflects on why his company, which annually sells about $16 million in highly styled knobs and fittings, is here among the almost 2,000 exhibitors from 38 countries that occupy 1.4 million square feet of space at the International Hardware Fair last month.

"As a producer, it's important to be here," he says in Italian, which is translated by a representative of the Cologne show. Then, pressing a finger against the side of his nose, he explains with this gesture that he is also at the show to gain a sense of the market by using "the nose method" of sniffing out trends.

Optimism is in the air. U.S. exporters, in particular, are accruing the benefits of a weak dollar.

"The view is that the next few years are the time to en-

(Continued on page 69)

Property Doctors launch installed sales business

By Suzanne Floyd

PHOENIX — Home centers wanting to play the installed sales game may find an ally in Property Doctors, a company that is providing contractors and guaranteed work to dealers wanting a turnkey installed sales program.

Last month, Property Doctors started a program in about half of O'Malley's 13 stores in this market. This was the first of what may soon become a national network.

Roy Burleson, Property Doctors president, explained that the company was in the initial stages of negotiations with home centers in various markets, including New England, Denver, Texas, Chicago and San Diego.

While the program can operate autonomously without a retail store, Property Doctors is looking to link programs with home centers. After looking at the Phoenix market, the company's vp Larry

(Continued on page 70)

Foreign firms increase takeover activity in wake of market crash

By Ariane Sains

NATIONAL REPORT — Terry Picha had no plans to sell his company to foreigners when Bunzl PLC of London approached him and his two partners in 1982. In fact, Picha had no plans to sell Indiana-based Capital Consolidated to anyone.

Today, Picha commutes across the Atlantic.

When Capital was founded, Picha and his two partners agreed that they would sell the company if they received the right offer. When Bunzl made its move, Picha's partners retired and he became

(Continued on page 69)

Harvard/MIT study paints bleak picture of affordable housing in United States

By an NHCN staff editor

NATIONAL REPORT — The number of people who can't afford to buy a home is increasing, and the future for first-time homebuyers is bleak, according to a new study.

"More and more households have to compete for an ever-declining supply of low-cost housing," said William Apgar, a co-author of the Joint Center for Housing Studies report, released March 17.

Harvard and Massachusetts Institute of Technology are the universities behind the Joint Center.

At the same time that housing costs are increasing, the study notes that rents are also rising.

"Consequently, it is not unusual for many households to pay 30, 40 or even 50 percent of their income for rent, depleting savings that otherwise could have gone toward the purchase of a new home," Apgar said.

Hardest hit have been people in the 24-year-old to 39-year-old age group, the study said.

Homeownership rates for people between 24 and 29 dropped to 35.9 precent in 1987 from 43.3 percent in 1980. For the 30 to 34 age group, ownership fell from 61.1 percent to 53.2 percent. And in the 35 to 39 category, ownership declined from 70.8 percent to 63.8 percent.

Worst off are people in those age groups who live in the Northeast and West, where housing costs are highest.

(Continued on page 69)

Texas financier pumps capital into Eclipse

By Gary S. Ruderman

ST. LOUIS, Mo. — A Texas financier has invested much-needed capital into Eclipse Industries here, which runs six B&B Home Centers and is partner in two DIY Warehouse units.

Don Navarro, the president of Navarro & Associates of Dallas, has infused an as yet unspecified amount of cash into

(Continued on page 69)

Steve Feinstein, president of Eclipse. – NHCN photo

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Home show boom promises openings for retailers 15

Vendors find shows draw consumers 17

Private-label caulking creeps onto crowded shelves 39

Growth area seen in home automation 39

NEWSBREAKS

EAST COAST STREAMLINES: The East Hampstead, N.H., chain will convert its kiln drying facility in Portland, Maine, into a retail unit specializing in kitchen, bath and millwork.

WICKES PAYS $300,000 PENALTY: The Santa Monica, Calif., chain settled federal claims that it evaded Hart-Scott-Rodino antitrust restrictions during its $2.1 billion takeover bid for Owens-Corning Fiberglas by using certain stock option agreements. Wickes did not acknowledge having violated any laws.

INDUSTRY UPDATE

B&D drops American bid

TOWSON, Md — Black & Decker, the nation's largest power tool company, has agreed to drop its hostile takeover bid for American Standard in lieu of a $25 milllion payment to B&D by Kelso & Co., which plans to purchase American's 32 million common shares for $2.5 billion.

The agreement, though, still leaves the door open for B&D to renew its takeover attempt if Kelso fails in its leveraged buyout by May 2.

B&D's ending of its pursuit of the bath fixtures and air conditioning company came as somewhat of a surprise as its $77 per share bid for American was said to be favored by arbitragers holding American's stock because its payout was quicker than's Kelso's by about two weeks.

Sears bids for Western Auto

CHICAGO — Retail giant Sears Roebuck and Co. has made a bid to acquire Western Auto Supply Co., parent company of the Kansas City, Mo., auto retailer.

On March 16, Sears reached an agreement to buy 52.3 percent of Western Auto's shares valued at approximately $250 million. Sears has also agreed to acquire $152 million in Western Auto debt. Once the $19 per share buy is made, Sears expects to enter into merger talks.

Sears operates 797 Sears automotive centers. Western Auto operates 278 company-owned Western Auto units, 116 Tire America and NTW tire superstores and supplies and franchises 1,570 independently owned and operated Western Auto dealers nationwide.

Western Auto reported 1987 sales of $930.8 million and income of $10.5 million. The company was in the news several years ago when it purchased the White's Auto Plus units from Canadian Tire.

CertainTeed parent raises offer

VALLEY FORGE, Pa. — Compagnie de Saint-Gobain, the French parent company of CertainTeed, increased its cash offer for any and all of the outstanding shares of CertainTeed to $47.50 per share from $41 on March 14.

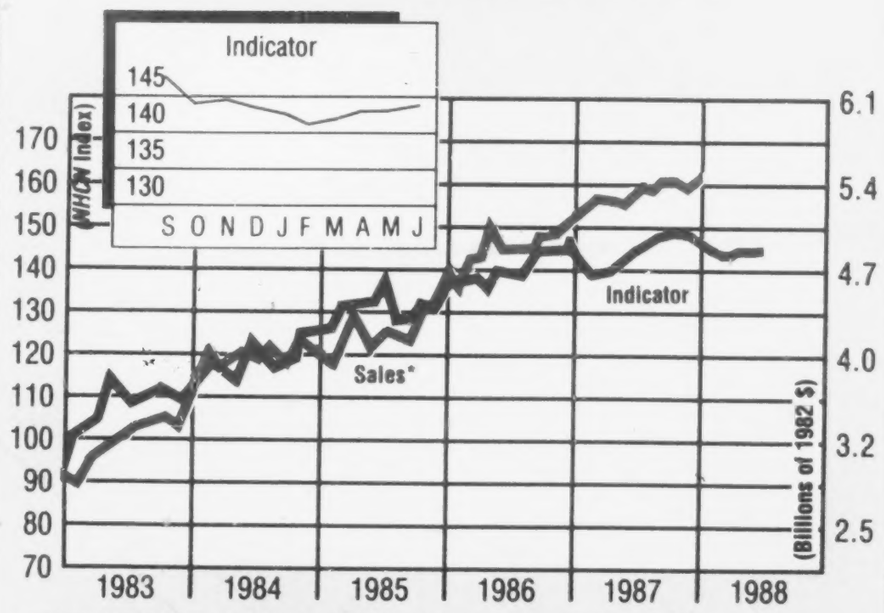
A special committee, composed of CertainTeed directors not affiliated with Saint-Gobain, now recommends that CertainTeed's shareholders accept the revised tender offer after rejecting the initial March 1 bid.

American sells furniture unit

OLD GREENWICH, Conn. — American Brands will sell off its subsidiary, the Samsonite Furniture company based in Murfreesboro, Tenn. Samsonite is a leading producer of patio furniture and was acquired by the company in February when it bought E-II Holdings.

American Brands is also establishing a core business in hardware and home products. George F. Villwock was recently appointed executive vp of the division but will also continue as president and ceo of Master Lock.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is pointing to a decline in sales in the near term due to weakness in single-unit housing starts. Business Watch highlights the upscaling of housing over the past three years (see page 59).*

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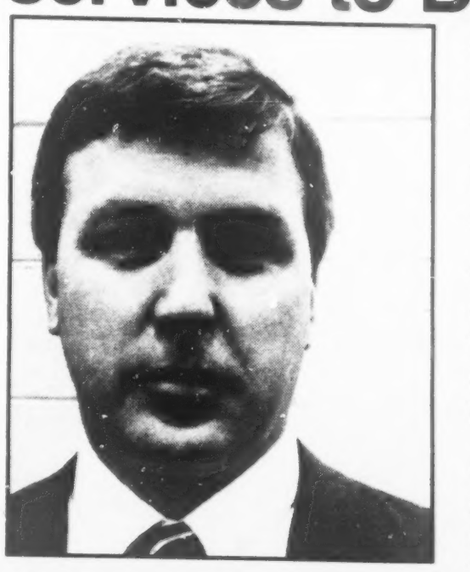
Coast offers services to BMA dealers

By Milford Prewitt

GREENVILLE, S.C. — Dealers affiliated with Builder Marts of America (BMA) can participate in buying, merchandising and other retail programs operated by Coast-America Corporation as a result of an agreement reached between the two organizations.

Paul Dodge, president of BMA's dealer division, disclosed at the National Home Center Show in Chicago that the plan will allow the dealer services group's members access to virtually every service program Coast's franchised hardware dealers currently enjoy. He said the net effect will be one source for building materials and hardware.

In describing the mechanics of the agreement, Dodge said Coast will fill hardware orders for BMA lumber dealers from its three national distribution facilities. He said the agreement, which had been under discussion between the two groups for over a year, was purely contractual and will, in the initial stages, work more to the advantage of BMA members.



Paul Dodge, president of dealers services for Builder Marts of America, Greenville, S.C.

NHCN photo

The program is expected to be phased in over the next few months, Dodge said.

About a year ago, merger talks between BMA and Coast collapsed, although executives from both companies said future discussions were not out of the question.

The major thrust of the new Coast-BMA deal is to help the independent lumber dealer stay more competitive with the national chains.

"The agreement brings to BMA dealers the benefits that come from the joint association of two industry leaders in their respective businesses," said Richard Bard, chairman and ceo of CoastAmerica in Denver. "We are very pleased that we have found a way to

(Continued on page 70)

Hechinger hits record in New England

By Elizabeth Brent

NEWINGTON, Conn. — The grand opening of the first Hechinger store in New England here on March 5 has proven that the market is wide open for expansion.

The first Friday and Saturday the store was opened produced the highest grand opening sales in the Landover, Md.-based chain's history, according to several vendors servicing the company. Hechinger declined to disclose the actual sales numbers.

The 60,000-square-foot store is situated on the busy Berlin Turnpike, Route 5, southwest of Hartford. It has a 30,000-square-foot garden center and is sited next door to a Zayre's discount store.

It is a mere two blocks from a contractor-oriented Grossman's unit, and Rickel Home Centers is opening across the street.

The store follows the prototype launched by Hechinger in Deptford, N.J., with two main power aisles, eight-foot-high gondolas and high-tech red signage against grey grids.

The store puts a heavy emphasis on its services. There is an expansive decor center and service desk at the right rear of the store inside the carpeting and wall covering departments. A second service center is situated inside the building materials and lumber department. There are 14 checkouts to speed customer traffic.

Overhead signs in the aisles promote the unit's free delivery and installation services, from fitting custom storm windows to the installation of disappearing stairways.

However, the store does not ignore the professional customer and another red sign in the millwork department welcomes builders and contractors to Hechinger.

The patio furniture department promoted "No Pay Till May" on selected outdoor furniture items from Omni and American Wood Products bought with a charge card.

Hechinger continues to offer a broad selection of product and inside its hardware department a customer can choose to bag and price his own fasteners from among the 1,500 loose items offered, or to buy the carded items hung above.

Detailed merchandising displays are taken roof-high, with different types of wooden fences hung above the product.

Cross merchandising

Few opportunities for cross merchandising products are missed. The doors of the individual storage barns displayed above the gondolas on the side walls are open and lit from inside to show off an array of lawn and garden products including work gloves, a garden rake and a lawn spreader.

The store's grand opening performance was so strong that a number of departments were experiencing stockouts a few weeks afterwards.

Diamond to debut 1st remodeled unit

By Ariane Sains

CHICAGO — Fueled by a $4 million capital budget as it emerges from bankruptcy, Diamond Lumber plans to remodel at least five stores around the country and reopen one.

In an interview here during the Home Center Show last month, Jim Schaffer, Diamond's executive vp, said the first remodeled store, in Bangor, Maine, will debut April 7.

The remodeling of stores in Bedford and Laconia, N.H., and South Portland, Maine, should be completed by mid-April, Schaffer said.

And a store in the Denver area, which had been closed, will be remodeled and reopened sometime this summer.

During a six-month period last year, Diamond closed 33 stores, in an effort to maintain financial health.

Because so many stores were closed in a short time, "there probably were one or two or three that should not have been," Schaffer said.

It will cost roughly $25,000 to reopen the Denver-area store, Schaffer said.

He said Diamond will focus on its New England stores because, "Our California stores are in excellent shape, but our New England stores have been neglected over the years."

The new look will feature displays of individual items, designed to attract the consumer, with caseloads of mer-

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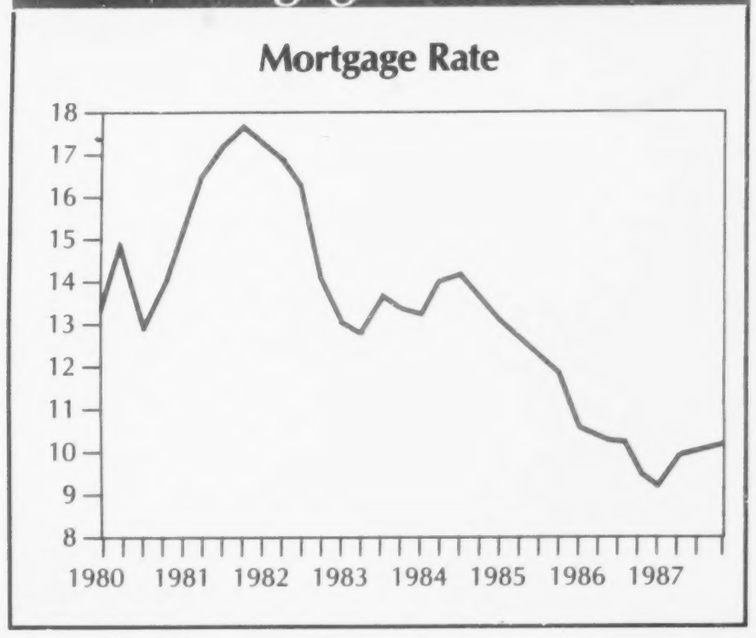
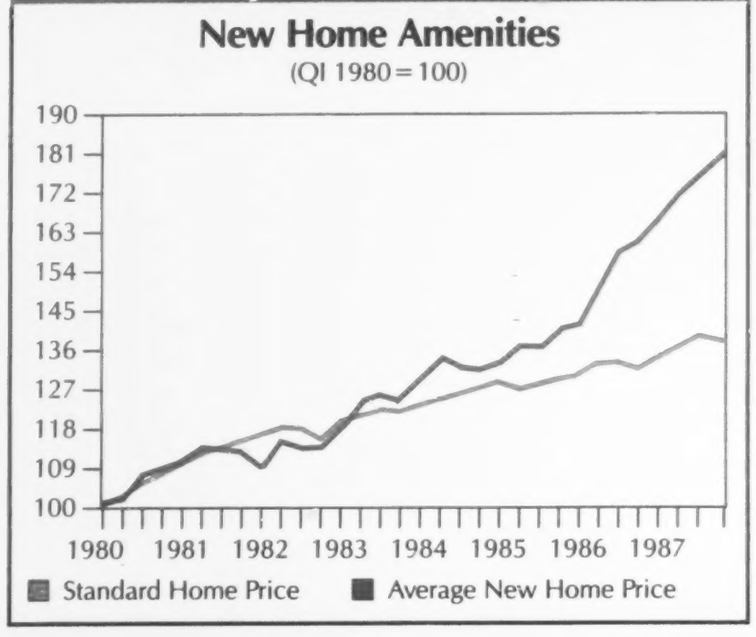
Section 4

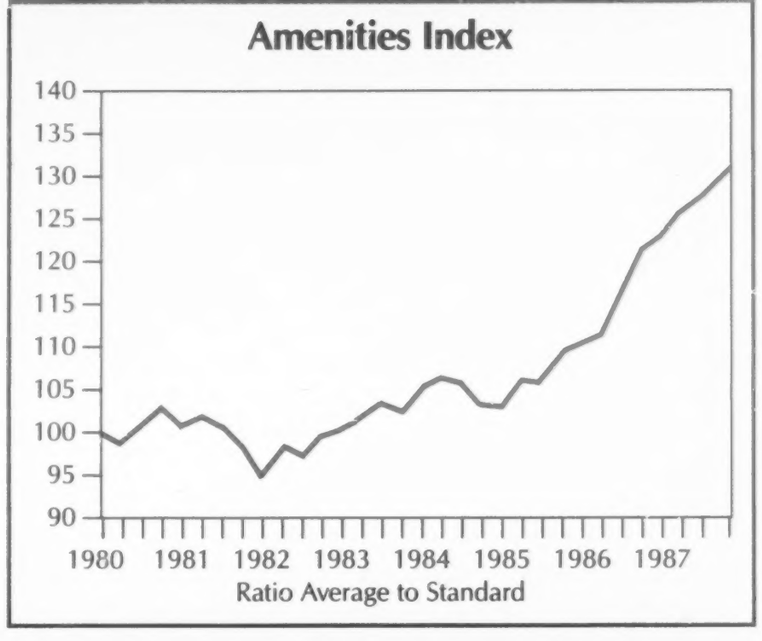
Declines in mortgage rates . . .



. . . and a shift to more expensive homes . . .



. . . increases the demand for more amenities



Building materials sales benefit from upscaled homes

By Richard E. Mount
Special to NHCN

One of the major factors behind the strength in building material retail sales since 1984 has been the desire by new home buyers to purchase homes with far more amenities than in the past. These upscale units require more and costlier materials to build and a higher quality of construction becomes a growing concern.

Because of the increase in the materials used per housing start, building material sales should increase 4 percent this year—although unchanged in unit volume—despite an anticipated 8 percent decline in starts and 5 percent in resales.

Richard E. Mount

Average new home prices are currently 15 percent higher than a year ago, with part of this advance the result of higher land, lot development, labor and material costs. The remainder is due to larger homes and increased amenities.

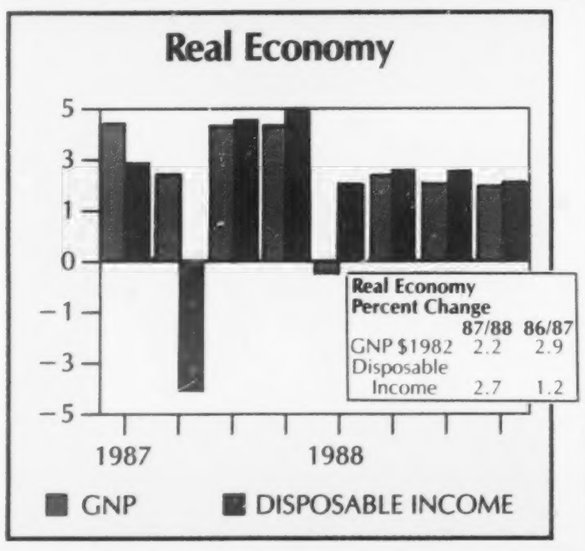
The standard home price is a government estimate of the price of a home with 10 major characteristics unchanged. The standard home price portrays a better picture of inflation in construction than average new home prices because it attempts to remove this influence of larger homes or more amenities from the price. While the average price is up 15 percent from a year ago, the price of the standard home is up only 5 percent, implying an upscaling of the structure of 10 percent.

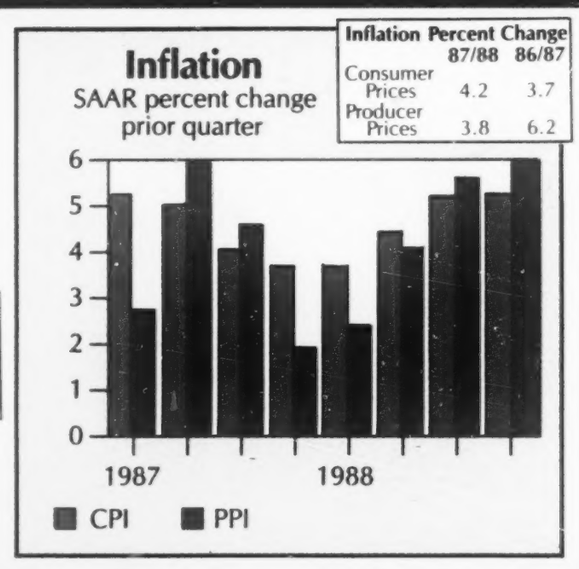
Perhaps the most important factor for upscaling was the drop in mortgage rates. In mid-1985, rates declined to their lowest levels since 1979, and upscaling rose rapidly thereafter.

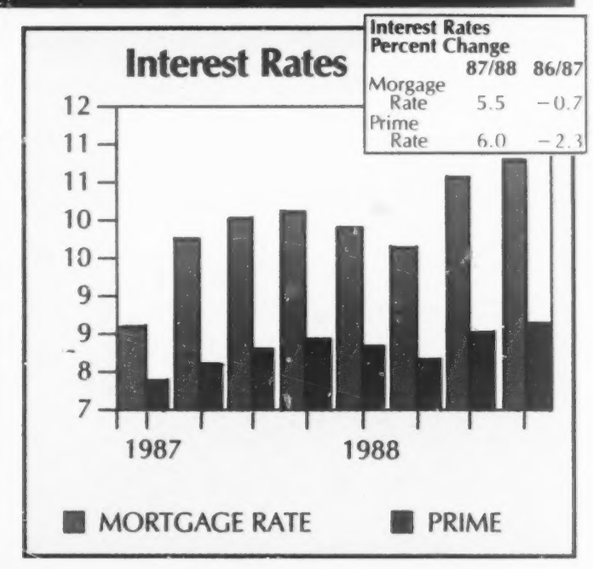
For building material retailers, the demand for upscale housing is a plus. Consumers now want more materials per house, and of higher quality than in the past. As 1988 unfuris, retailers with better grades and higher service should prosper.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

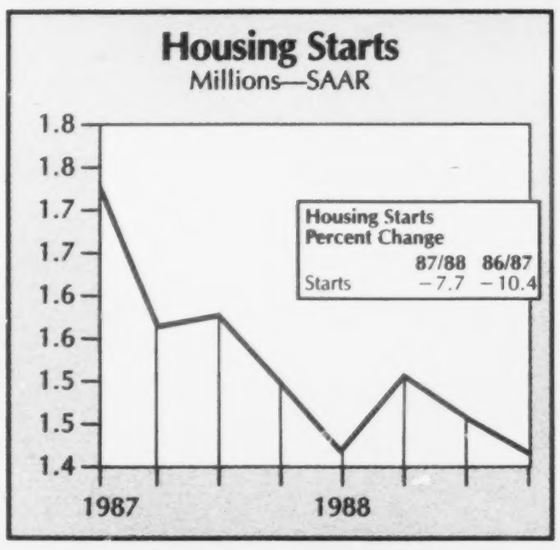
General Business Conditions

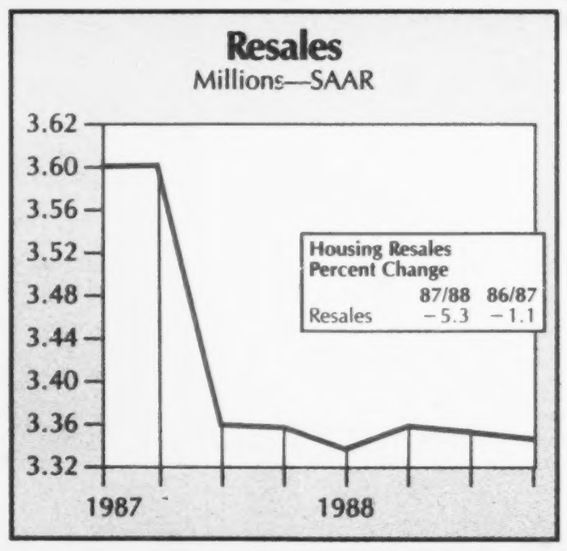


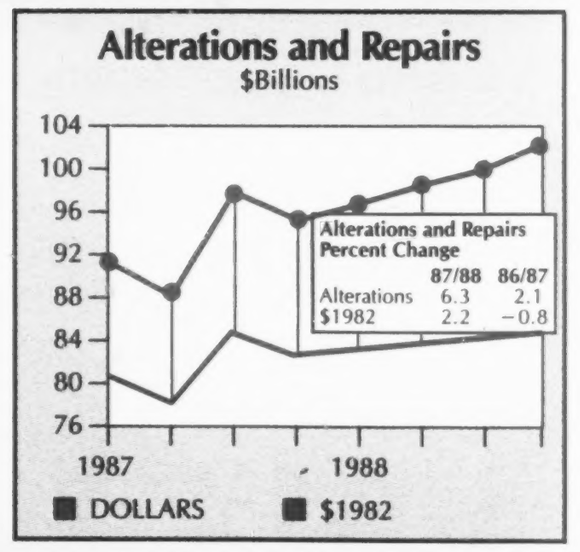




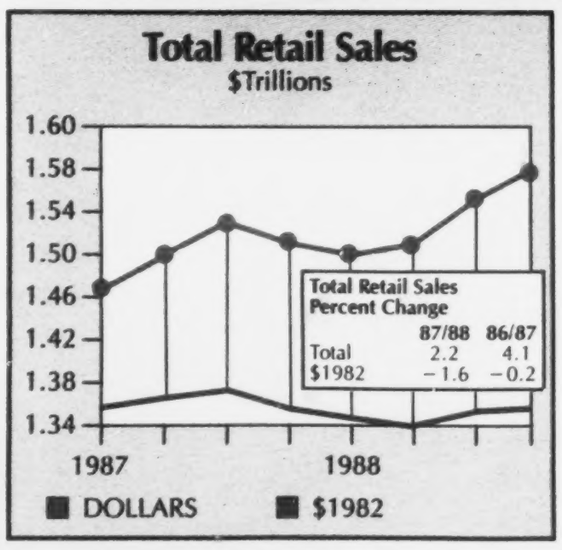
Housing

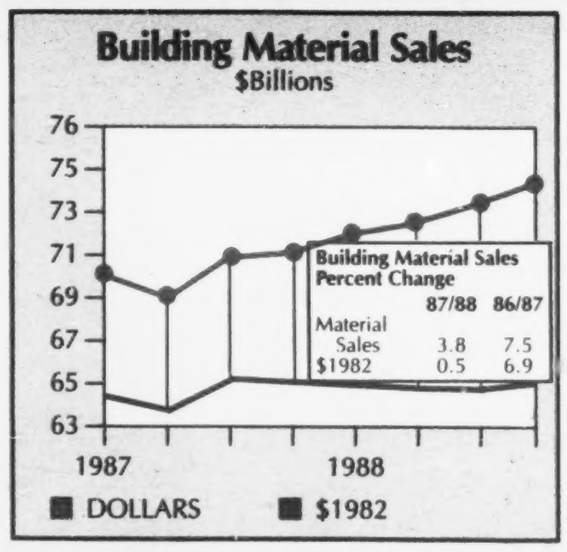


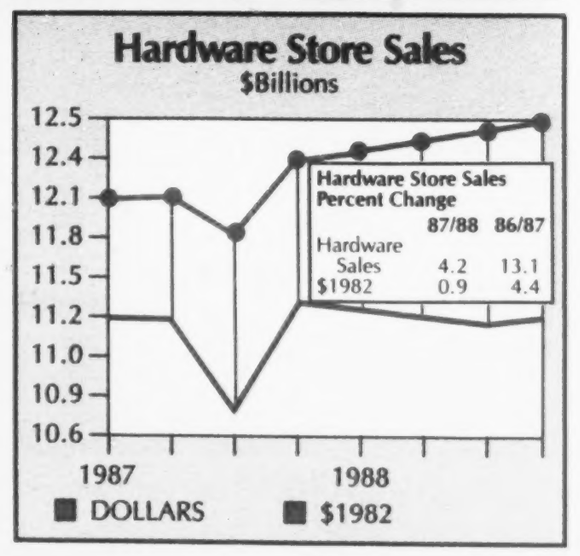




Retail Trade Activity







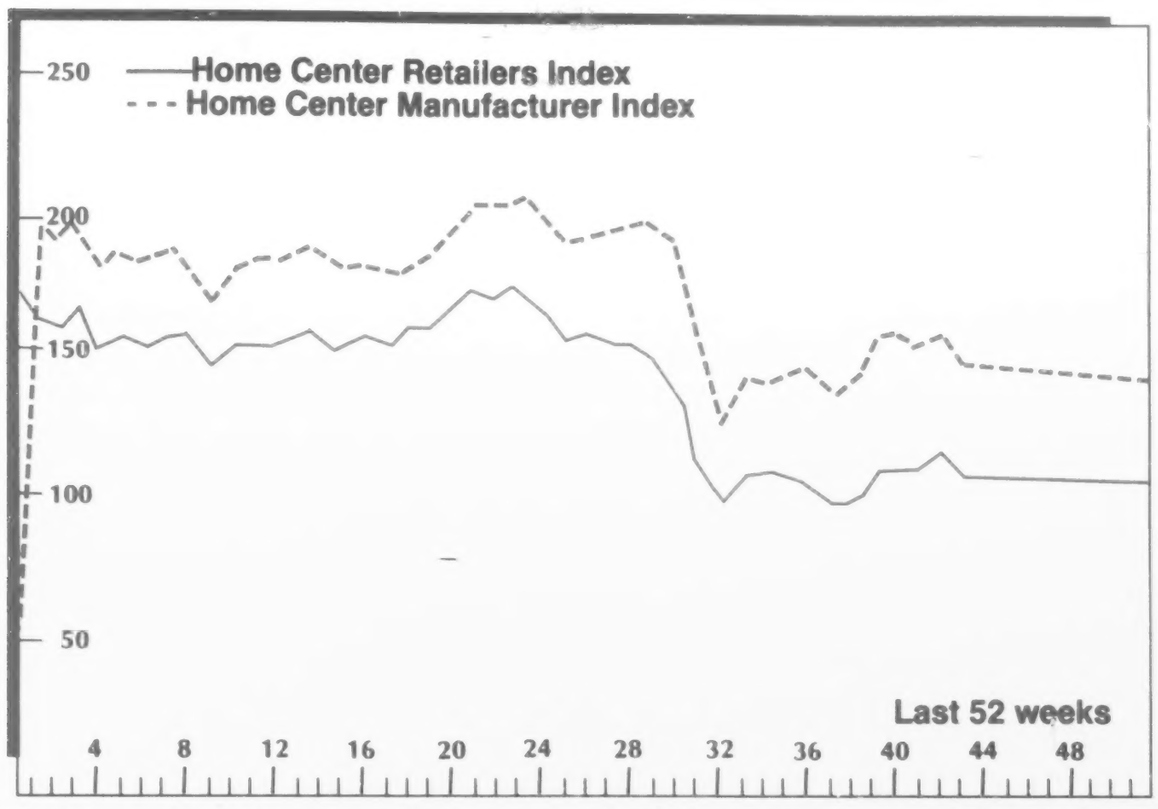
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on March 18, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Climb in stocks going flat

Manufacturers were the biggest winners for the two-week period ending March 18, with 25 companies out of 34 showing stock gains. Overall, home center industry stock continued to climb, though not as sharply as during the previous two weeks. Of 57 companies tracked for *NHCN* by Media General, 39 posted gains. Fourteen were down, and four were flat.

Retailers drew a mixed bag, with 13 stocks increasing and six dropping. Among the major gainers was the Strober Organization, which topped the list of gainers with a 13.2 percent increase, up to $10.75. That follows a larger 15.2 percent increase for the Brooklyn, N.Y.-based company during the previous two weeks, and comes after an announcement by Strober that the business might be for sale.

On the manufacturing side, Black & Decker's stock jumped 11.5 percent, to $20.63, as the Towson, Md.-based manufacturer continued its campaign to take over American Standard. American's stock was up 4.7 percent, to $75.88, after the company announced plans for a management leveraged buyout to counter Black & Decker. Other manufacturing stocks showed only modest gains, or were flat.

Losers included wholesaler Moore Handley, whose 15 percent drop put the stock at $4.25; manufacturer Clairson International was down 18.2 percent to close at $6.75; and USG Corp, which is still a takeover target by Desert Partners, saw its manufacturing stock drop $11.4 to close at $35.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-18-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.25	.50	10.5	5.25	4.75	11.75	4.00	1,384	3.46	.89	288.8	9.1	.00	.0	.....	fiscal	11-87	18.1	9.0	.3	- 57.1	.10	- 56.5	67.6	17.8	2.1	5.0	.58	- 13.4
Grossman's Inc ..... M	8.00	.50	6.7	8.38	7.63	10.75	4.13	27,541	10.54	3.06	244.4	15.1	.00	.0	.....	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A ..... M	19.00	- .50	- 2.6	19.50	18.75	26.50	14.25	10,104	9.24	2.28	305.3	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	19.00	.13	.7	19.50	18.50	26.75	15.50	2,148	1.32	.23	473.9	16.2	.06	.3	NEW	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot ..... N	25.00	1.25	5.3	25.00	23.50	28.09	12.13	18,493	3.76	1.79	110.1	22.1	.08	.3	NEW	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc ..... N	45.13	4.13	10.1	46.00	40.25	54.00	29.50	9,711	2.45	.91	169.2	12.7	1.72	3.8	.....	9 mos.	11-87	924.0	22.0	43.5	46.0	.05	11.7	2548.3	29.9	108.4	60.4	2.57	20.1
K mart Cp ..... N	36.00	2.38	7.1	36.63	33.88	48.38	21.63	73,696	3.66	1.34	173.1	10.6	1.16	3.2	NEW	fiscal	01-88	7754.6	11.8	321.2	6.8	1.58	6.0	25626.6	7.6	692.2	15.8	3.40	14.1
Lowe's Cos ..... N	19.88	.75	3.9	20.00	18.88	32.75	15.25	5,307	1.34	1.16	15.5	12.9	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	5.13	.25	5.1	5.13	4.75	9.50	3.75	377	2.78	.93	198.9	7.8	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber ..... M	2.88	- .38	- 11.5	3.25	2.88	7.00	2.75	609	1.08	.39	176.9	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak ..... N	15.25	- .63	- 3.9	15.88	14.75	21.50	11.50	1,002	1.00	.61	63.9	14.3	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash ..... N	15.13	.88	6.1	15.63	14.13	26.88	9.63	19,301	5.57	2.47	125.5	19.1	.16	1.1	NEW	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	14.88	.38	2.6	15.25	14.50	15.88	10.00	1,495	1.02	.49	108.2	19.3	.52	3.5	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck ..... N	38.13	- .38	- 1.0	39.50	37.00	59.50	26.00	70,159	1.85	.99	86.9	8.8	2.00	5.2	.....	fiscal	12-87	14048.4	4.8	562.1	3.5	1.49	2.8	48439.6	8.3	1649.4	22.1	4.35	20.2
Std Brd Prt ..... N	14.63	- .25	- 1.7	16.00	14.38	31.88	11.88	4,905	4.36	1.57	177.7	10.6	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	10.75	1.25	13.2	12.00	9.50	15.25	6.25	1,409	2.32	.93	149.5	11.7	.00	.0	.....	9 mos.	09-87	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos ..... N	10.50	.38	3.7	11.25	9.75	25.00	7.25	20,113	4.21	2.18	93.1	4.2	.00	.0	.....	9 mos.	10-87	NC	NC	18.6	- 43.6	.37	- 50.7	2644.4	- 21.3	128.7	85.2	2.62	74.7
Wolohan Lumber ..... M	13.25	.88	7.1	13.50	12.50	18.75	8.75	1,693	2.89	1.27	127.6	8.7	.24	1.8	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp ..... N	21.63	- .75	- 3.4	23.00	20.75	37.00	13.50	41,095	7.25	5.14	41.1	10.3	.40	1.8	NEW	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply ..... N	27.50	.75	2.8	27.88	26.75	30.25	19.75	406	1.22	.71	71.8	11.0	.40	1.5	.....	9 mos.	10-87	113.2	29.7	2.5	47.1	.73	46.0	318.1	21.5	6.7	31.4	1.99	25.9
Moore Handley ..... M	4.25	- .75	- 15.0	4.75	4.00	9.75	3.75	86	.34	.20	70.0	16.3	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.88	.00	.0	7.00	6.88	9.88	5.75	435	1.08	1.27	- 15.0	18.1	.28	4.1	.....	9 mos.	10-87	58.9	- 1.8	.7	.0	.18	5.9	169.8	20.9	1.4	16.7	.36	16.1
Stanline Inc ..... M	12.88	.00	.0	13.00	12.88	13.31	6.19	504	2.83	1.55	82.6	11.2	.32b	2.5	NEW	3 mos.	01-88	16.1	15.0	.5	66.7	.26	36.8	16.1	15.0	.5	66.7	.26	36.8
Manufacturers																													
Am Consum Prods ..... M	14.00	.25	1.8	14.75	14.00	14.75	7.88	474	2.28	1.28	78.1	17.5	.00	.0	.....	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard ..... N	75.88	3.38	4.7	77.00	72.63	77.00	30.50	52,629	16.86	8.86	90.3	18.2	1.80	2.4	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark ..... M	9.50	.63	7.0	9.50	9.00	17.13	6.50	804	1.17	.49	138.8	11.0	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld ..... N	38.13	- .13	- .3	38.63	34.50	47.38	22.50	16,180	3.45	1.85	86.5	12.0	.90	2.4	.....	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker ..... N	20.63	2.13	11.5	21.50	17.13	26.50	13.00	65,720	11.26	3.88	190.2	18.8	.40	1.9	.....	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade ..... N	48.88	1.25	2.6	50.00	46.50	52.13	28.81	10,884	2.41	1.35	78.5	13.2	1.20	2.5	.....	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed ..... N	47.25	.63	1.3	47.50	44.63	47.50	24.13	21,324	11.23	1.94	478.9	14.6	1.00	2.1	.....	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl ..... N	36.00	- .50	- 1.4	38.13	35.25	44.63	21.75	42,642	4.48	1.84	143.5	8.9	.80	2.2	.....	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl ..... M	6.75	- 1.50	- 18.2	8.50	6.75	18.25	5.00	2,284	4.49	1.16	287.1	11.6	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	60.38	.75	1.3	60.50	57.50	74.50	39.00	11,271	2.30	1.14	101.8	17.4	1.80	3.0	.....	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc ..... N	31.00	1.00	3.3	31.75	30.25	42.00	21.00	1,397	3.51	1.44	143.8	11.7	1.40	4.5	NEW	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Emhart Corp ..... N	23.63	1.88	8.6	24.00	21.88	26.63	15.50	7,478	1.19	.58	105.2	13.9	.80	3.4	.....	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific ..... N	37.63	.13	.3	40.00	36.00	52.75	22.75	35,974	3.39	1.52	123.0	8.9	1.20	3.2	.....	fiscal	12-87	2229.0	25.2	112.0	34.9	1.07	42.7	8603.0	19.1	458.0	54.7	4.23	57.2
Insilco Corp ..... N	20.00	.63	3.2	20.38	18.88	28.13	14.00	4,847	2.32	1.13	105.3	5.2	1.00	5.0	.....	fiscal	12-87	93.4	- 45.8	- 40.7	- 100.0	2.58	486.4	637.7	- 14.4	- 13.9	- 100.0	3.85	143.7
La Pacific ..... N	29.63	.38	1.3	29.88	27.75	39.75	21.50	7,663	2.00	.94	112.8	9.1	.80	2.7	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel ..... M	17.00	.63	3.8	17.25	16.38	23.50	12.00	16,173	1.58	.50	216.0	NA	.85	NA	NEW	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp ..... N	2.50	.00	.0	2.63	2.38	5.38	2.00	4,240	1.77	1.09	62.4	.4	.00	.0	.....	fiscal	12-87	522.5	12.8	31.5	82.1	1.05	128.3	2063.2	7.4	164.1	102.1	5.79	147.4
Masco Corp ..... N	28.38	1.88	7.1	29.13	25.63	40.88	18.75	24,010	1.81	1.14	58.8	17.2	.40	1.4	.....	fiscal	12-87	543.3	20.7	30.8	- 44.4	.23	- 43.9	2023.3	39.3	218.8	7.6	1.65	5.8
Mor-Flo Inds ..... M	6.25	.25	4.2	6.50	6.00	13.50	5.50	56	.22	.28	- 21.4	NE	.01	.2	.....	9 mos.	09-87	49.1	4.0	- 1.1	- 100.0	- .44	- 100.0	154.4	4.4	- .4	- 100.0	- .14	- 100.0
Newell Co ..... N	38.00	- .50	- 1.3	38.75	37.38	43.00	21.13	2,238	1.94	1.04	86.5	13.8	1.00	2.6	.....	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Nortek Inc ..... N	9.88	- .50	5.3	10.38	9.25	17.13	5.00	4,351	2.76	1.32	109.1	16.5	.10	1.0	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	20.63	1.63	8.6	21.13	18.50	32.38	9.00	34,007	9.07	2.58	251.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	13.75	1.13	8.9	14.13	12.50	17.75	9.00	3,681	3.29	1.40	135.0	20.8	.12	.9	.....	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot ..... N	20.38	- .88	- 4.1	23.00	20.25	27.25	9.75	5,894	4.90	2.62	87.0	8.7	.50	2.5	.....	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	- 37.6	28.1	77.8	2.33	76.5
Potlatch Cp ..... N	33.25	2.25	7.3	33.25	30.50	41.88	21.00	3,285	1.23	.67	83.6	10.6	.92	2.8	.....	fiscal	12-87	252.7	3.9	24.9	23.9	.90	25.0	992.1	1.6	87.6	25.3	3.13	25.7
PPG Inds ..... N	40.13	- .38	- .9	41.00	38.25	53.50	27.50	19,565	1.64	1.00	64.0	12.6	1.20	3.0	.....	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms ..... N	29.25	.13	.4	30.63	28.38	38.50	20.13	13,842	3.15	.89	253.9	13.6	.64	2.2	.....	fiscal	12-87	408.3	16.5	20.3	- 30.5	.46	- 42.5	1792.7	15.4	96.6	- 8.9	2.15	- 6.9
Stanley Works ..... N	30.75	2.25	7.9	31.75	28.00	36.63	21.25	6,244	1.43	.53	169.8	15.4	.88	2.9	.....	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	7.5
Thos Inds ..... N	21.00	.00	.0	21.50	20.63	21.53	13.81	1,882	1.79	.79	126.6	12.8	.68b	3.2	.....	fiscal	12-87	80.5	6.5	4.8	50.0	.46	48.4	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind ..... N	27.63	.25	.9	28.38	27.00	44.00	22.50	5,546	2.45	1.63	50.3	14.5	.12	.4	NEW	fiscal	12-87	995.8	27.1	- 34.5	NE	(1.19)	NE	4336.1	62.5	55.5	18.1	1.90	- 26.1
Union Camp ..... N	35.88	.38	1.1	36.88	34.63	48.19	26.00	14,871	2.02	1.02	98.0	12.7	1.16	3.2	.....	fiscal	12-87	609.8	14.0	59.0	37.9	.81	39.7	2307.6	12.8	207.5	59.7	2.83	59.9
USG Corp ..... N	35.00	- 4.50	- 11.4	40.00	34.25	55.88	23.50	48,853	9.49	3.24	192.9	8.8	1.12	3.2	.....	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 64.5	2898.1	6.4	204.3	- 9.4	3.96	11.9
Waxman Ind ..... M	11.75	.38	3.3	12.13	11.38	12.63	7.25	2,170	3.44	2.33	47.6	14.7	.10	.9	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser ..... N	43.50	.50	1.2	44.25	41.38	60.00	19.00	27,449	2.01	1.22	64.8	13.7	1.50	3.4	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Property Doctors prescribe installed sales business

(Continued from page 1)
Gibson approached O'Malley's because of the chain's 80-year market history. "We felt that its format would be conducive to the success of our program," said Gibson.

Dick Wood, O'Malley's merchandise manager, declined comment on the program.

Unlike Mr. Build, a franchised installed sales program, Property Doctors operates on a membership basis with contractor members paying annual fees of $1,700, which include marketing programs, a national registered certified member program, use of the logo and educational opportunities.

Burleson predicts that the Property Doctors program will be nationwide within three to five years.

Another difference between Property Doctors and Mr. Build is that Property Doctors acts as a dispatcher between the home center and the builder, where contractors in Mr. Build's program have direct retailer contact.

While O'Malley's will have an exclusive agreement with Property Doctors in Phoenix, Gibson said there are some instances where a group of independents in a market are interested in forming a type of cooperative agreement with Property Doctors so that they may better compete with larger home centers in the market.

"We've had a lot of different responses to exclusivity," said Gibson, who acknowledged that the O'Malley program was exclusive in Phoenix.

According to Gibson, Property Doctors' ultimate goal is to bring standardization to installed sales in the retail marketplace.

Diamond to debut its first remodeled unit

(Continued from page 2)
chandise beneath the displays to lure contractors.

The major chunk of Diamond's business is contractors, but Schaffer said the New England stores are in more DIY-oriented markets.

While focusing on booming New England, Schaffer said Diamond is also interested in Colorado, where conditions have been depressed.

"The market is coming back. It bottomed out mid- to third-quarter 1987."

The store will be Diamond's seventh in Colorado. It has a 3,000-square-foot showroom, a 10,000-square-foot warehouse and a yard.

Attached to the store will be a sales office that Schaffer said Diamond hopes will become the operating base for its contractor salesman in that part of the country.

Diamond's reorganization plan has been voted on by shareholders and creditors, and a review hearing in federal bankruptcy court was conducted April 1. The court was expected to approve of the plan.

A $65 million line of credit with CIT, a division of Manufacturers Hanover Trust, was extended through April 11. Once the plan is approved, Diamond is expected to sign a three-year, $70 million credit agreement with CIT.

CoastAmerica will offer its services to BMA dealers

(Continued from page 2)
combine the advantages of a relationship with both companies."

One result of the relationship with CoastAmerica is that the hardware co-op will begin buying some stockkeeping units more appropriate for commodities dealers, said Dodge.

Dodge thought the goal of the relationship with CoastAmerica is to serve BMA's diverse independents even better.

"We have members of different sizes, of different sales mixes, in different regional economies," Dodge said. "They have their own distinct identities and pursue their markets in their own different ways.

"[Now] they will have access to two of the stronger co-op programs. We think the ultimate success of the plan will be in our dealers' sales."

BMA, which adds 50 to 70 dealers to its ranks per year, has about 800 dealer members operating from 1,800 locations. CoastAmerica has 1,000 members operating in 33 states.

Industry executives meet with financial analysts

(Continued from page 3)
summaries on the state of the industry, predicting a strong 1988, according to analysts.

Mead said the program was worthwhile "because it gave me the opportunity to meet with a lot of people in one place, but I think it needs to continue to evolve."

After the meeting, analysts were escorted onto the convention floor by home center executives who are members of the convention's Hall of Fame to meet with vendors, specifically those belonging to the DIY Research Institute.

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National Home Center News®

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Current pay levels allay fears over higher minimum wage

By Edward McKinley

NATIONAL REPORT— Home center operators said they employ too many skilled, relatively high-paid hourly workers to be anxious over proposed increases in the federal minimum wage, despite adverse warnings from industry associations.

Associations have predicted that a hike in the minimum wage could cause a "ripple effect" that would increase all hourly wages, with the scenario anticipating higher-paid workers demanding raises to stay ahead of unskilled employees.

The U.S. Senate is considering a bill that boosts the wage floor from the current $3.35 an hour to $4.65 hourly by steps spread over several years.

A bill in the House of Representatives would raise the minimum by increments to $5.05 in four years.

Observers said election-year politicking appears likely to spur Congressional action by this summer, but most of the home center executives interviewed by *NHCN* said they expected little effect.

"My first reaction would be that it won't affect us," said

(Continued on page 91)

Lloyd parent puts troubled company on selling block

By Ariane Sains

STAMFORD, Conn. — The troubled Lloyd Home and Building Centers chain is for sale, just two months after its parent, American Maize Products Co., said it was "fully committed" to making Lloyd's profitable.

In a brief statement April 6, American Maize said it has retained Wright Investors' Service of Bridgeport, Conn., to find suitable buyers for the 34-store chain, based in Danbury, Conn.

Lloyd's president Tom Cawley said he was "totally positive" about a sale of a chain that has lost an estimated $17.8 million over the past four years.

"It's an opportunity for the company and whoever buys it. We're in wonderful shape. We've never been better staffed or merchandised."

American Maize spokesman Cynthia Z. Brighton would not comment on what the company considers a fair selling price to be, how long it will look for buyers, what it will do if a buyer is not found or who potential buyers might be. Wright also would not comment on its search for a buyer.

American Maize chairman William Ziegler, in the company's statement, said he would "protect the interests of Lloyd's dedicated employees, suppliers and customers."

Industry sources suggested that a foreign purchaser or leveraged buyout by the chain's management could

(Continued on page 92)

Tom Cawley, president of Lloyd. NHCN photo

East Coast streamlines Maine operations

Steve Lowe, general manager of East Coast Lumber. NHCN photo

By Elizabeth Brent

EAST HAMPSTEAD, N.H. — East Coast Lumber is streamlining its operations to better utilize its managerial talent and its Portland, Maine, retail store. This comes at a time when its Maine competitors are targeting their businesses more towards the consumer.

East Coast will shut down its kiln-drying facility at its Portland site and use the additional space to expand its retail showroom. The retail potential of the Portland site, which is located on a busy intersection, is not being fully utilized at present and the company hopes to double its sales in 1988.

The kiln-drying operation occupied 50 percent of the existing warehouse space and East Coast will convert 3,000 square feet into a kitchen, bath and millwork showroom. In addition it will expand its electrical and plumbing lines.

East Coast hopes that these improvements will boost sales from its present $6 million volume to $12 million, according to Steve Lowe, vp of Argus Holdings Ltd., the parent company of East Coast Lumber.

It is a timely move by East Coast because its neighbor, independent Fox Lumber, is constructing a new replacement 8,000-square-foot store a half-mile away, which will open this summer. This will contain an extensive kitchen department and is the four-unit company's first move away from the contractor trade in the Portland market.

(Continued on page 92)

Builderama shifts focus to decoratives

By an NHCN staff editor

SAVANNAH, Ga. — Builderama is switching its strategy from lumber and building materials to a stronger decorative image. The scheduled opening of its new store in West Columbia, S.C., next month will be the first store to reflect these changes.

"Margins are smaller on building materials and competition is more fierce," said Don Kole, president of the 11-unit chain. "But nobody is doing a good job in interior decor, which gives us the chance to improve margins and attract consumers."

This will be a brave move for the chain, which currently generates 20 percent of its total sales from building materials, according to Kole.

The new 30,500-square-foot store will move lumber and plywood products into

(Continued on page 91)

Diamond Lumber's parent gets approval on reorganization plan

By Ariane Sains

DALLAS — A federal court judge has approved Michigan General's reorganization plan, officially bringing it and subsidiary Diamond Lumber out of Chapter 11 bankruptcy.

The judge's order, signed April 1, comes after Michigan's and Diamond's stockholders and creditors voted overwhelmingly in favor of the plan.

By law, the order takes effect 10 business days after it is approved. Diamond's effective date is April 18.

Jerold Grubstein, Diamond's president and ceo, said that every creditor owed more than $100,000 voted for the plan.

After the votes were in, an elated Grubstein, referring to the months of Chapter 11 procedings, said, "I wouldn't want to do this again."

Under the plan, unsecured creditors with claims of less than $500 will be paid in full immediately.

Other creditors will be paid with

(Continued on page 91)

James T. Shaffer, senior vp Diamond Lumber (l) and Jerold Grubstein, president of Michigan General (r). NHCN photo

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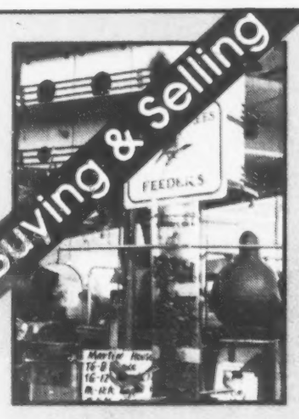

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NEWSBREAKS

ICELANDIC DEALER BECOMES ACE HARDWARE MEMBER: BYKO, a four-store operator located outside of Reykjavik, will be serviced out of the Oak Brook, Ill.-based co-op's Baltimore distribution center, with the method of shipment to be determined by the dealer. BYKO recently converted a facility into a 25,000-square-foot home center with help from the National Retail Hardware Association. Its other stores average 10,000 to 15,000 square feet. It is the first member Ace has signed in Europe.

INDUSTRY UPDATE

Spanish firm buys into Ply-Gem

NEW YORK — A privately held Spanish investment company has acquired a 6.1 percent stake in Ply-Gem Industries for $7.6 million.

In a filing with the Securities and Exchange Commission in early April, Esfinco Inc. of Madrid said it might also seek a seat on Ply-Gem's board. But Esfinco said it was acquiring Ply-Gem's stock solely for investment purposes.

"I don't think there's any takeover involved," said Barry King, who follows Ply-Gem for Dean Witter Reynolds in New York. "I think it's just a long-term investment."

Through a spokesman, Ply-Gem chairman and president Jeffrey S. Silverman said he was also pleased.

"We believe in the value of our company and obviously they do too," Silverman said.

A manufacturer of building materials, Ply-Gem has moved aggressively in the past two years to acquire companies that complement its existing businesses.

Ply-Gem earned $25.8 million on revenues of $313 million for the year ended Dec. 31, 1987.

Display companies merge

SILVER SPRINGS, Md. — National Store Fixtures, one of the industry's leading gondola and racking suppliers, was sold in March by its founder, Gene Bukowski, for an undisclosed sum to Capitol Hardware Manufacturing.

The Chicago-based Capitol supplies display fixtures and perimeter hardware to department and specialty stores. The company is run by Ed Ehrenburg, who will be chairman and ceo of both companies. National's vp-sales Jerry Persall and vp-merchandising Gerald Moulds, will stay on.

Waxman buys electricals firm

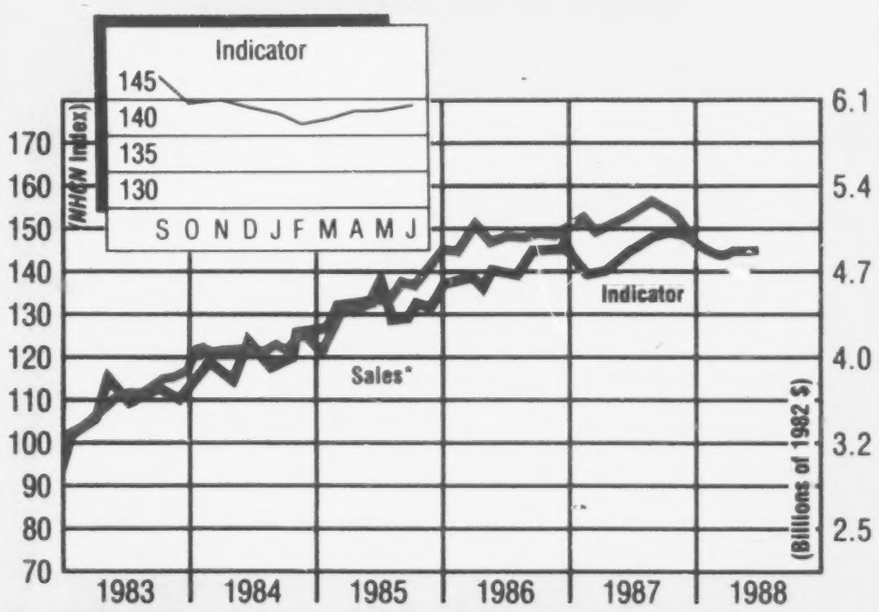
BEDFORD HEIGHTS, Ohio — Madison Equipment Co., a Cleveland-based manufacturer of electrical wiring products for the wholesale, commercial and DIY markets, was acquired in late March by Waxman Industries. The purchase price was not disclosed.

Bob Starr, president of Madison, said the firm generated 40 percent of its $6 million in 1987 sales from wholesalers like the Memphis, Tenn.-based Orgill Brothers and buying groups like Illinois' Liberty Distributors. Madison offers a wide range of electrical products and accessories.

Armond Waxman, Waxman's president, said the acquisition would expand its Electracraft line of bulk and packaged electrical products. Madison will take on some of Waxman's line in its distribution to commercial and industrial accounts.

Waxman said he anticipates growth both internally and through further acquisitions of "complementary businesses." The company secured a $55 million, three-year line of unsecured credit from four banks for its expansion.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in sales in the near term due to weakness in single-unit housing starts. Business Watch (on page 79) highlights the East North Central states that should do well in 1988.

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Available for calls 9-5:30 (E.S.T.)

Stockholder approval completes management LBO of Pay 'N Pak

By an NHCN staff editor

KENT, Wash.— Pay 'N Pak stockholders approved the merger of Pay 'N Pak Stores and PNP Prime Corp, New York, at a meeting held on March 21, a vote that effectively completes the leveraged buyout of the 100-unit chain by its management.

PNP Prime Corp. is the management group that now controls Pay 'N Pak. It is backed by Citicorp Capital Investors Ltd..

Last July, Rosewood Corp., now PNP Prime, initiated the $212.5 million buyout to block a takeover bid by Florida investor Paul Bilzerian. To complete the LBO, Pay 'N Pak assumed some $250 million in debt, estimated Sean Day, a Pay 'N Pak director.

Terms of the tender offer included cash payment for 81 percent of the common shares at $21 a share. The remaining 19 percent of common was exchanged for preferred stock valued at $22.31 a share.

Citicorp, an investor of PNP Prime, holds a 49 percent voting interest and a 20 percent nonvoting interest.

Douglas Southern, Pay 'N Pak's chief financial officer, said the company's preferred stock is currently being traded over pink sheets, but only Salomon Brothers is making a market in the stock. If a few more brokerages show an interest, the preferred could eventually be traded over the counter on NASDAQ.

In February, there was some question about whether this deal would take place, as Wall Street got nervous after Pay 'N Pak announced it had terminated negotiations to acquire an unnamed chain.

Vendors at last month's Home Center Show said Pay 'N Pak's officials were saying the unnamed chain was Ernst. Ernst's president, Hal Smith, was emphatic in his denial that there had been talks between the two companies. Pay 'N Pak has declined to comment about the negotiations.

Dealers and vendors ambivalent about fall RTA furniture show

By an NHCN staff editor

LINCOLNSHIRE, Ill. — Retailers and vendors are ambivalent about the International Ready-To Assemble (RTA) furniture show to be held in Atlanta this November.

As of March 1, 66 exhibitors had reserved space for the show, yet some retailers and vendors question the need for yet another convention.

Domestic vendors think it too costly for an "unproven" show and are concerned that it presents an ideal opportunity for foreign competition to enter the market. Armstrong World Industries, Sauder and American Forest Products are among leading manufacturers who will not be taking part in the event.

Other dealers welcomed the show, however.

"It's great to have one show dedicated just to RTA," said a buyer from a Northeastern chain who asked not to be named. "At High Point [the furniture show] and the Housewares show, I have to weed through the rest of the product to find RTA."

Several dealers and vendors did not agree and felt that their buying needs are already being met by the present shows.

All-American Home Center in Downey, Calif., is still undecided whether to attend.

"Its a tough decision whether to pay for the travel,"said merchandise manager Tom Farrell. "We usually see things at the home center and hardware shows. And the housewares show in January is now doing a better job."

American Forest Products, the unfinished furniture manufacturer, will not be exhibiting. Alex Malakauskas, director of marketing, considers it "too expensive for an unproven show. It costs three times more than the housewares show."

"We need less shows, not more; maybe this one is redundant," added Evert Slijper, president of Whittier Wood Products, Eugene, Ore., who nevertheless will be exhibiting at the show.

He also questioned the timing of the show, saying that anything bought in November could not be added to the line until the fall and therefore could be satisfied by the other shows held between January and April.

Vance Publishing, the show's sponsor, was unavailable for comment.

G-P board endorses plan to buy 18% of its outstanding shares

By an NHCN staff editor

ATLANTA — Georgia-Pacific's board of directors endorsed a plan to buy back as much as 18 percent of the company's outstanding shares.

T. Marshall Hahn Jr., chairman and ceo of G-P, said in a press release the effort to own a larger portion of the company is timed to take advantage of G-P's healthy financial condition while at the same time improving shareholder value.

The plan replaces an October 1986 stock repurchase program that sought to maintain debt-to-capital at 30 to 35 percent. Under that plan, G-P had repurchased more than 7 million shares. Under the new plan, G-P will elevate total debt-to-capital to as much as 40 to 45 percent.

Given the company's current stock price, which closed recently at $38.87 per share, the move to increase debt by as much as 45 percent would mean buying back as much as 18 percent of the company's 104 million outstanding shares.

"We believe an increased level of leverage is sustainable, given the strength of our discretionary cash flow," Hahn said in apparent reference to the company's impressive financial performance of late. G-P reported a 55 percent increase in profit in 1987 on sales of $8.6 billion, a 19 percent increase.

Gail Smith, a G-P spokesperson, said another reason for the buyback is that it allows the company to restructure its balance sheet from costly equity capital to less expensive debt capital.

Forest products analysts suggested that G-P may be repurchasing its shares to safeguard against a hostile takeover, since the effort will drive up the stock price. But a company spokesperson denied that the strategy behind the buy back was defensive.

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Handy Andy ready for battle in crowded Chicago suburb

By Gary S. Ruderman

CRYSTAL LAKE, Ill. — Handy Andy, one of the Midwest's largest DIY-oriented chains, on March 20 debuted its first new unit of the year in a highly competitive northwestern suburb here, 50 miles from Chicago.

The 65,000-square-foot home center has the highest profile in this crowded market due to Handy Andy's dominant newspaper advertising both in the city and suburbs. Yet other retailers believe this new player will draw business for all competitors.

Officials for the now 45-unit Handy Andy thought the key to the Crystal Lake store's drawing consumer business will be its presentation, particularly its 40 kitchen and bath vignettes and product assortment.

Since opening its 75,000-square-foot Elston Avenue unit in Chicago a year ago, Handy Andy has made refinements to its prototype. Gondolas in every department of the rectangular-shaped Crystal Lake store are primarily 7- and 8-foot high fixtures supplied by Lozier, which are lower than the Elston unit. Around the perimeter, backup inventory is stacked almost to the ceiling.

Strong promotional endcaps, informative product displays in the commodity areas and cross-merchandising—such as incorporating a display of kitchen cabinets into the storage products aisle—make the unit visually interesting. The store carries 25,000 stockkeeping units.

Installation is a service Handy Andy plans to offer here, and it had opening week promotions on garage doors, decks, siding and millwork.

About 10 percent of the floor space is devoted to housewares. A broad center aisle is being utilized for a drop-in "grand bazaar" department of high-racked wicker baskets. This new department's skus will be expanded, officials said.

Prior to the Crystal Lake unveiling, Handy Andy opened its Handy Andy XTRA concept of "boutique" departments in mid-March at the Elston Avenue store. Incorporating 17,000-square-feet of unleased storefronts into the building owned by Handy Andy, the retailer added housewares, lighting, space utilization products, RTA furniture and artwork.

Hank Kirschner, the chain's senior vp-marketing, said that while the Elston property was unique in its space availability, the XTRA concept could be added to new and existing stores.

The Crystal Lake area has been a magnet for home centers in recent years as a number of companies—Seigle's Home and Building Center, Wickes Lumber, Builders Square, Wolohan Lumber—have opened units within a 10-mile radius. "Old timers" in the area such as Alexander Lumber, a unit of the 84 Lumber chain, and several independents are somewhat insulated from retail competition by their contractor businesses.

Joe Campbell, manager of the 5½-year-old 84 Lumber unit less than a mile from Handy Andy, has seen an increase in business since Handy Andy opened. A manager of the Wickes Lumber unit, which opened a prototype 20,000-square-foot unit last October two minutes from the new Handy Andy, reported a similar increase.

The Handy Andy store in Crystal Lake, Ill., features strong promotional displays in commodities. It is not expected to crowd out smaller independents, however, who are insulated by contractor business. NHCN photos

Expert warns that drug abuse is growing in work force

By an NHCN staff editor

CHICAGO — David W. Smothers, a certified protection professional with the American Society of Industrial Security, told seminar attendees at last month's National Home Center Show that if illegal drug sales were categorized as a business and listed in the Fortune 500, it would be listed above IBM.

Smothers, president of D.W. Smothers Associates, Oakland, Calif., has a background in retail and industrial loss prevention, and is a former police officer. He has also served in the Military Intelligence Service of the U.S. Army.

In addressing the subject of substance abuse in the workplace, he listed alcohol as the leader, followed by marijuana, prescription and over-the-counter drugs, manufactured substances such as amphetamines, cocaine, and heroin.

Smothers said that 55 million young people admit to marijuana use, while 17.5 million admit to using coke. "Forty-two percent admit to drug abuse," he said.

"This is our workforce—people that report to work on a daily basis," said Smothers.

Smothers reiterated a statistic, first aired on an HBO cable TV special on drug abuse, that 88 percent of the nation's workforce was "abusing" alcohol and drugs. (He believes the percentage is probably half that). "Some of these people are being discharged from the military and coming to work for us."

That drug abuse occurs, however, is not so much the issue as how this abuse affects employee performance and productivity. Smothers stated that increased violence on the job, increased absenteeism and lower productivity were all results.

He described employees between the ages of 18 and 30 as more likely to use marijuana or cocaine enhanced with alcohol. Those between the ages of 30 and 40 were described as more likely to be dependent on prescribed substances and/or cocaine, and the 40 to 60 age group was most likely to have alcohol as its substance of choice to abuse.

"As a cost to business," Smothers said, "the average employee is likely to miss an average of 6½ days per year. The employee who abuses drugs [or alcohol] is likely to miss 22½ days.

"It's not the sole cause of absenteeism, but it [increases] the number of days out, decreasing productivity."

He told attendees that if they suspected a drug abuse problem, they should review their injury and accident reports of the previous six months. "Look at the indicators: lost time, lower production quotas, shrinkage, accidents, waste, violence, . . . they all impact business."

He suggested an undercover investigation, but did not elaborate on the issue of testing urine for drug presence except to say that it's important to have a well established company conduct the tests due to a recent proliferation of fly-by-night testing companies.

Smothers also suggested restricting employee movement during lunch hours, and he said that if lockers are issued, the company should also issue the locks so that the locker remains company property and can be searched without a warrant.

Smothers' sources include U.S. Government studies, Federal Drug Enforcement Agency studies, and studies conducted by the National Retail Merchants Association.

Recognizing illegal drug use

The enforcement of a drug abuse policy is the first step toward controlling the use of illegal drugs in the workplace. And recognizing the signs and symptoms of illegal drug use is key to that goal.

David Smothers, president of D.W. Smothers, Oakland, Calif., has assembled a list of illegal drugs, their effects, impairments, chronic use problems and recognition signs:

AMPHETAMINES:

- ***Effect:*** Nervous system stimulation, feeling of euphoria, self confidence, increased speech.
- ***Impairment:*** Decreased ability to perform complex muscle or mental tasks. Decreased inhibition with possible violence. Increased risk taking. Overdose results in sedation-like effect with possible coma, death or psychotic reaction.
- ***Chronic use problems:*** Addiction, impaired mental function, heart and liver damage.
- ***How to recognize:*** Dilated pupils, dry mouth, hyperactive speech and movements.

COCAINE:

- ***Effect:*** Intense euphoria for 15 to 45 minutes followed by a lower level of well being.
- ***Impairment:*** Stimulation of the nervous system, impaired ability to perform complex physical or mental tasks that require judgment or precise muscle function.
- ***Chronic use problems:*** Nasal ulcer, paranoia, sinusitis, depression and lack of energy.
- ***How to recognize:*** Dilated pupils, runny nose or, person may "sniff" often, mood changes, unreliable, always needs money, dishonesty.

CRACK:

- ***Effect and impairment:*** See Cocaine.
- ***Use problems:*** Paranoia, violence, eyes sensitive to light, memory loss, brain seizures.
- ***How to recognize:*** Dilated pupils, chronic cough and black phlegm, chest congestion, rapid mood changes, constant or daily need for money; in advanced stages behavior is virtually indistinguishable from schizophrenia.

MARIJUANA:

- ***Effect:*** Whites of eyes will redden and puffiness will develop under the eyes.
- ***Impairment:*** Dizziness and disoriented behavior, which will lead to relaxed inhibitions. High doses of concentrated marijuana can result in distortions of body image, a loss of contact with reality and hallucinations.
- ***Chronic use problems:*** Lowered productivity, accidents, eventual memory loss.
- ***How to recognize:*** Dilated pupils, reddened whites of eyes, "glassy" stares, dryness of mouth, increased appetite, yellowish coating on tongue, fingers and fingernails, mood changes, need for money.

Top industry advertisers boost 1987 TV budgets

By an NHCN staff editor

NEW YORK — Builders Square surpassed Payless Cashways as the industry's biggest spender on television in 1987, according to figures released last month by the Television Bureau of Advertising here.

Overall, the top 15 industry TV advertisers spent 18.5 percent more on this medium last year than they did in 1986. Total expenditures among these chains was $47,516,600 *(see chart for individual breakdowns on page 64).*

The largest individual spending increase, according to TvB's tabulations, was by HomeClub, the Fullerton, Calif.-based chain that increased its store count by eight units to 36 last year and jacked up its TV advertising budget 205 percent to $3,960,800.

Another company using television to a greater extent was Grossman's, the Braintree, Mass.-based chain whose TV advertising expenditures rose 106 percent last year to $3,960,800.

The most significant decrease in TV advertising spending came from Wickes Companies, and particularly Wickes' Builders Emporium and Ole's Home Center chains. Wickes' other chains—Orchard Supply Hardware and Wickes Lumber—also saw spending dips in TV advertising.

In total, Wickes Companies' TV expenditures were off 41 percent to $5,457,900.

Builders Square's rise to the top of the TV advertising pack corresponds to the warehouse chain's rapid expansion over the past two years. The San Antonio, Texas-based chain increased its total store count by 36 percent to

(Continued on page 64)

Buying & Selling

advertising & marketing

Retailers urged to use store itself as advertising medium

By Suzanne Floyd

DALLAS — A retail space management expert told an audience of retailers last month that they needed to place a higher premium on their interior store space, even to the point of possibly selling some of it to willing suppliers for advertising.

Patrick Kelly, who holds the K mart-endowed professorship at Wayne State University, was a speaker at last month's 16th annual advertising conference of the International Mass Retail Association here.

In his session, entitled "Your Store as Media," Kelly said, "There's no place where you can reach your customer better than in your own store."

Other media, such as newspaper and television, were discussed in other seminars during the two-day conference.

There were also a number of how-to roundtable sessions to allow retailers and advertising executives to interact.

Kelly remarked that there has been a vast increase in the amount of point of purchase (POP) material available to retailers in the past six years, and that retailers should begin to recognize the value of using store space for product advertising.

"The store as medium must be seen as a budgeted option [like newspaper or television]," he said.

Kelly said that many stores did use portions of walls or various signs to advertise brand-name products. He mentioned that this type of advertising might encourage brand loyalty among consumers but it had little to do with fostering store loyalty.

For this reason, Kelly suggested that retailers sell store advertising space to manufacturers. "You can offer the manufacturer excellent market segmentation and market reach at the point of brand choice. Supermarkets are doing it," he added.

He even suggested selling space to suppliers that don't sell their products in the dealer's store, to reach a prescribed market segment.

In order to sell any form of your store as media for a manufacturer, Kelly suggested that retailers survey available locations in the store that could be sold and establish a value for the store interior. Once that is accomplished, he suggested that retailers contact existing vendors and any vendor that might be interested in reaching the customer.

While conference attendees were intrigued with Kelly's idea, they were not sure of the legitimacy of this concept for their stores.

Market stratification

A session titled "The Boomer Generation as Consumers: Implications for Marketing Strategy" discussed the stratification of the baby boom generation and addressed differences in spending habits.

It was presented by Dr. Robert Cohen, vp for Yankelovich Clancy Shulman, a marketing research firm based in Westport, Conn., which conducted the study for *People* magazine. The firm evaluated values and priorities of consumers between the ages of 21 to 40, and the impact this group has on the marketplace.

According to Cohen, there are 76 million "boomer" consumers. This group is further segmented by survey findings into three more or less equal groups: self-stylers, materialists and nesters. While there are differences in the amounts of discretionary spending among the three groups, with self-stylers having the most and nesters the least, the most significant difference is that each group responds differently to various types of advertising.

The common denominator among boomers, however, is their perceived need for more information about the products they buy. According to the Yankelovich study, members of this group, which is more educated as a whole than any other preceding generation, demand a great deal of product information, yet still sees themselves as less informed than they'd like to be about products.

Focus groups key

A third segment of the conference was a roundtable discussion on the topic of market research.

The discussion centered on the various experiences attendees have had with focus groups. Some comments included:

- Hold focus groups with people that aren't your customer;
- Be present during the focus group so that you can pursue ideas brought up during the session;
- Be sure to find an experienced moderator who will involve every member of the group.

"Focus groups," said one executive, "are a trip back to reality."

Industry's top TV advertisers boost 1987 budgets

(Continued from page 7)

118 units in 1987, and its TV ad budget soared by 42 percent to $8,868,000.

By virtue of Wickes' falloff, Payless's many chains captured the second slot. Overall, the Kansas City, Mo.-based company increased advertising expenditures on TV by 20 percent to $8,429,000, with the biggest gains being recorded by Payless's Somerville Lumber, which saw its budget rise 227.3 percent to $668,300.

One's loss is another's gain

Somerville, which has been expanding into new markets, appears to be using television advertising to lay the groundwork for its growth in the Northeast.

Other chains that saw significant increases in TV ad spending last year were Scotty's and Menard's, each with 46 percent jumps.

On the down side, Budget Power, the Minnesota-based plumbing and electricals specialty chain, saw its ad spending on TV drop 13 percent to $757,000 (which is still more than double what Payless's Knox Lumber stores in that market spend on TV, according to TvB's estimates).

LEADING HOME CENTER TELEVISION ADVERTISERS IN 1987

	1987	1986	% change
Builders Square	$ 8,868,000	$ 6,262,000	42.0
Payless Cashways	$ 8,429,400	$ 7,050,000	20.0
Furrow's	$ 2,613,600	$ 2,500,000	
Know Lumber (Minneapolis)	$ 306,400	$ 221,400	
Lumberjack (Sacramento, Fresno, Calif.)	$ 879,000	$ 737,200	
Payless Cashways	$ 3,961,800	$ 3,387,100	
Somerville Lumber (Providence, R.I., Boston)	$ 668,300	$ 204,200	
Wickes Cos.	$ 5,457,900	$ 9,249,100	– 41.0
Builders Emporium	$ 3,031,300	$ 4,651,900	
Ole's Home Centers (L.A.; Phoenix)	$ 706,100	$ 2,774,100	
Orchard Supply	$ 1,549,600	$ 1,603,600	
Wickes Lumber	$ 170,900	$ 219,500	
HomeClub	$ 3,960,800	$ 1,298,500	205.0
Grossman's	$ 3,376,500	$ 1,640,300	106.0
The Home Depot	$ 3,018,800	$ 2,409,900	25.0
Pay 'N Pak	$ 2,834,500	$ 2,526,400	12.0
Lowe's	$ 2,059,600	$ 1,584,300	30.0
Scotty's	$ 1,952,300	$ 1,335,100	46.0
Menard Cashway	$ 1,922,300	$ 1,314,900	46.0
National Lumber *(Los Angeles)*	$ 1,618,300	$ 1,783,300	– 9.0
Handy Andy *(Chicago, Milwaukee)*	$ 1,251,100	$ 1,095,500	14.0
Sutherland Lumber	$ 1,056,800	$ 951,300	11.0
Mr. Goodbuys	$ 953,300	$ 721,400	32.0
Budget Power *(Minneapolis)*	$ 757,000	$ 870,900	– 13.0
Total	*$47,516,600*	*$40,093,500*	*18.5*

Source: Television Bureau of Advertising — NHCN chart

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OR KEEP IT ANCHORED TO THE PAD.
Pick it up and take it along or lock it down and leave it...Delta's new Hopper is the all-purpose chest that does both. This rugged polymer unit is virtually indestructable and practically indispensable. It's lightweight, easy to handle and works great on pickups, boats, trailers, campers...anywhere it's needed. Put a lift in your sales and profits with Delta's new Hopper. Call or write for complete information today.
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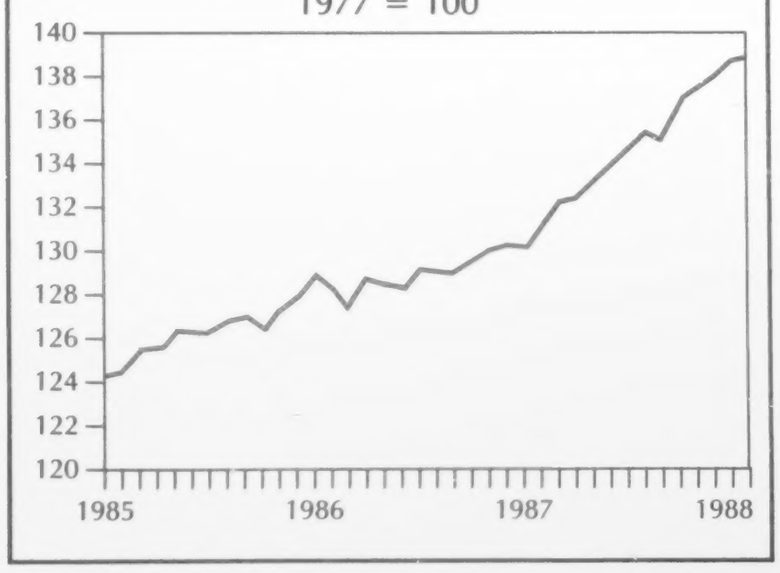
Circle 58 on Reader Service Card

Business Watch

Section 4

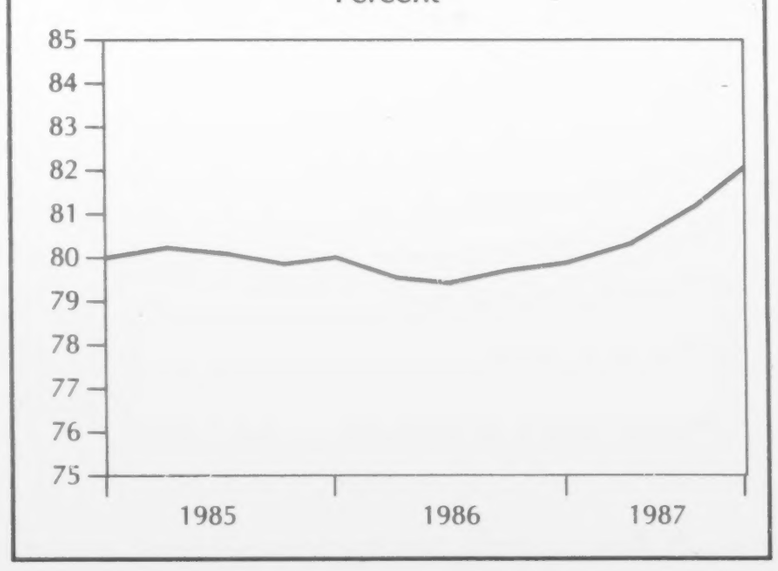
Stronger levels of production . . .

Industrial Production-Manufacturing
1977 = 100



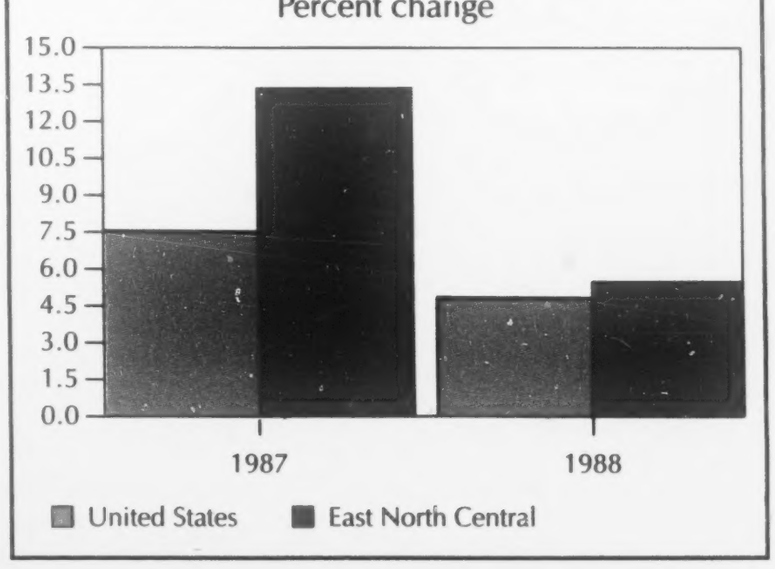
. . . and higher operating rates . . .

Capacity Utilization Manufacturing
Percent



. . . will increase East North Central sales

East North Central Material Sales
Percent change



East North Central state sales should exceed national pace

By Richard E. Mount
Special to NHCN

Building materials sales in the East North Central states are expected to increase 4.8 percent this year, or 0.6 percent when the influence of inflation is removed. This compares to a gain of 4.5 percent in dollar volume for the nation. Last year, the East North Central states also outperformed the national pace. Building materials sales rose 13.1 percent, compared to 7.6 percent nationally.

Strength in this region's economy was concentrated outside of manufacturing during 1987. Construction employment in the East North Central states was up 8.5 percent as the region lagged the earlier stages of the recovery.

Richard E. Mount

Indiana and Wisconsin have become the strongest states in the region during 1987-1988 due to their reliance on traditional capital goods and materials. Employment in Indiana is up 3.5 percent from a year ago, Wisconsin 2.8 percent. Ohio employment gains were about average—2.4 percent. Nationally the gain was 2.5 percent.

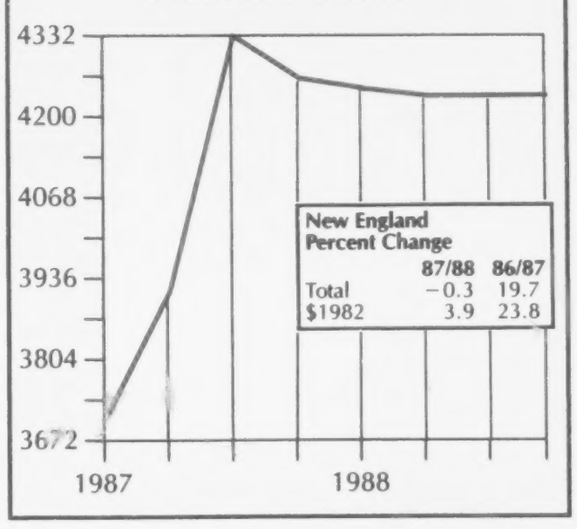
Resales remain the best indicator of future building materials sales. Last year, the region showed a mixed picture. Resales for the year declined more than the national average, down 2.8 percent versus 1.3 percent. However, they held up better in the second half of the year than many others, suggesting relative strength in building materials sales during early 1988. In the fourth quarter of 1987 resales were off 0.4 percent versus 0.3 percent nationally. The Middle Atlantic states were down 9.4 percent.

The East North Central states' economy will strengthen because of the transition towards manufacturing this year, sparked by an improvement in domestic production. Business investment in equipment, up only 2.8 percent in 1987 and 3.2 percent in 1986, is likely to be up 9.4 percent this year.

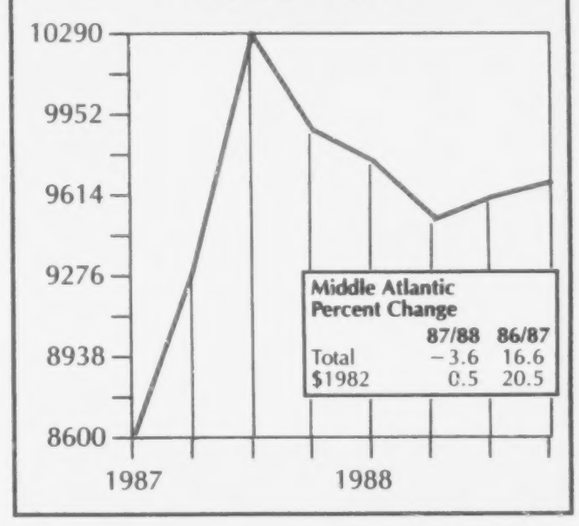
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Regional Outlook: Building Material Sales

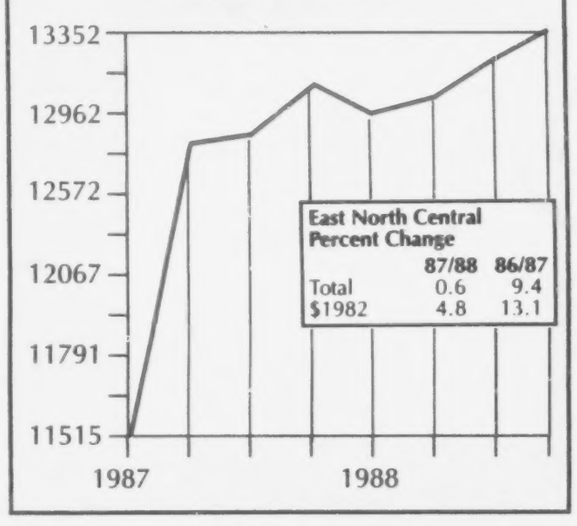
New England
Millions of Dollars



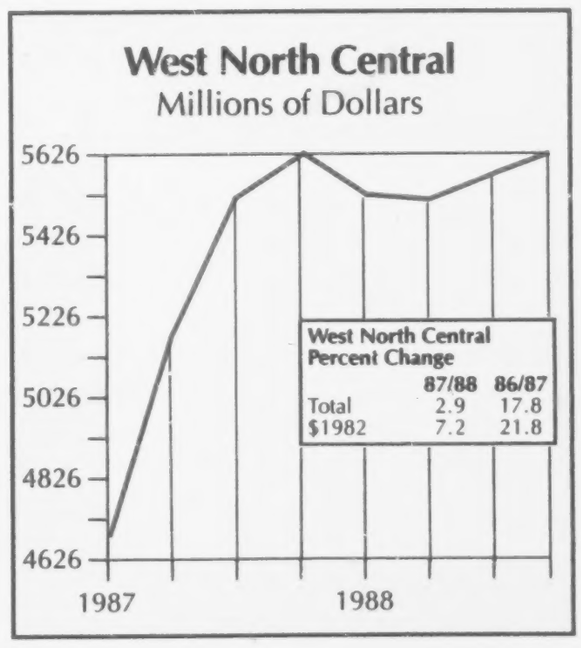
Middle Atlantic
Millions of Dollars



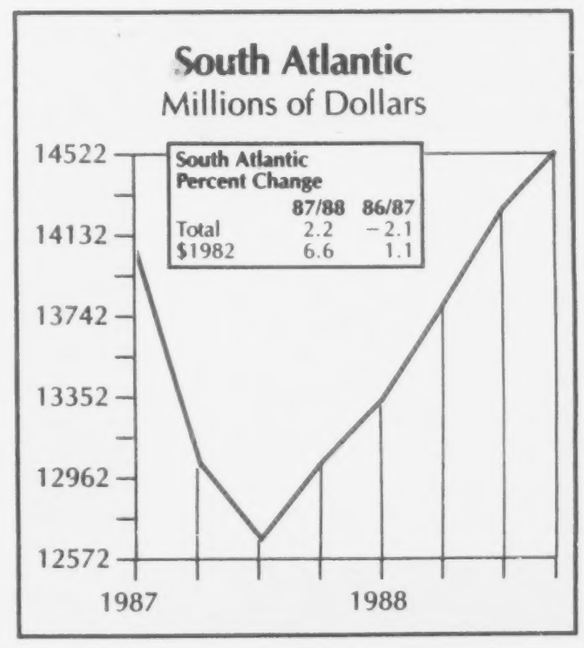
East North Central
Millions of Dollars



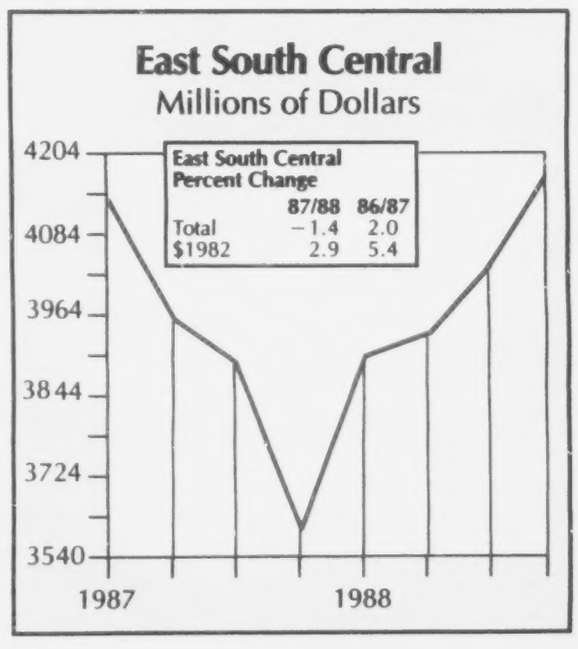
West North Central
Millions of Dollars



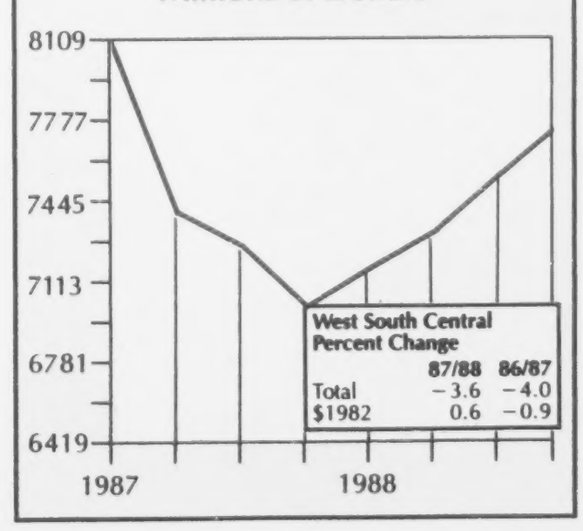
South Atlantic
Millions of Dollars



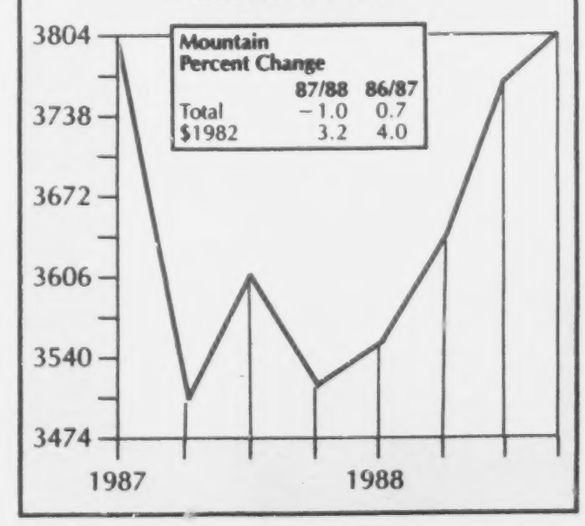
East South Central
Millions of Dollars



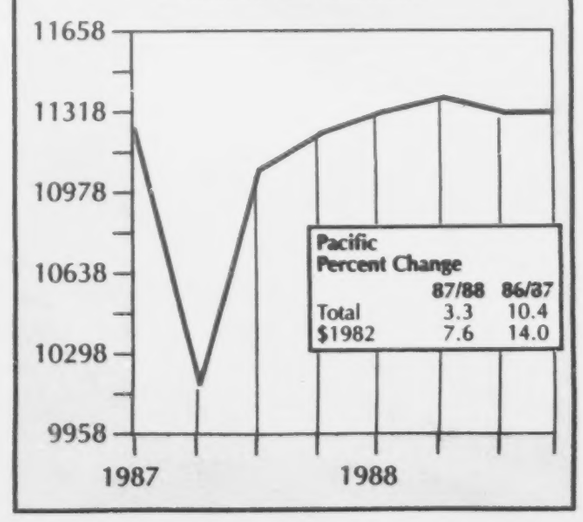
West South Central
Millions of Dollars



Mountain
Millions of Dollars



Pacific
Millions of Dollars



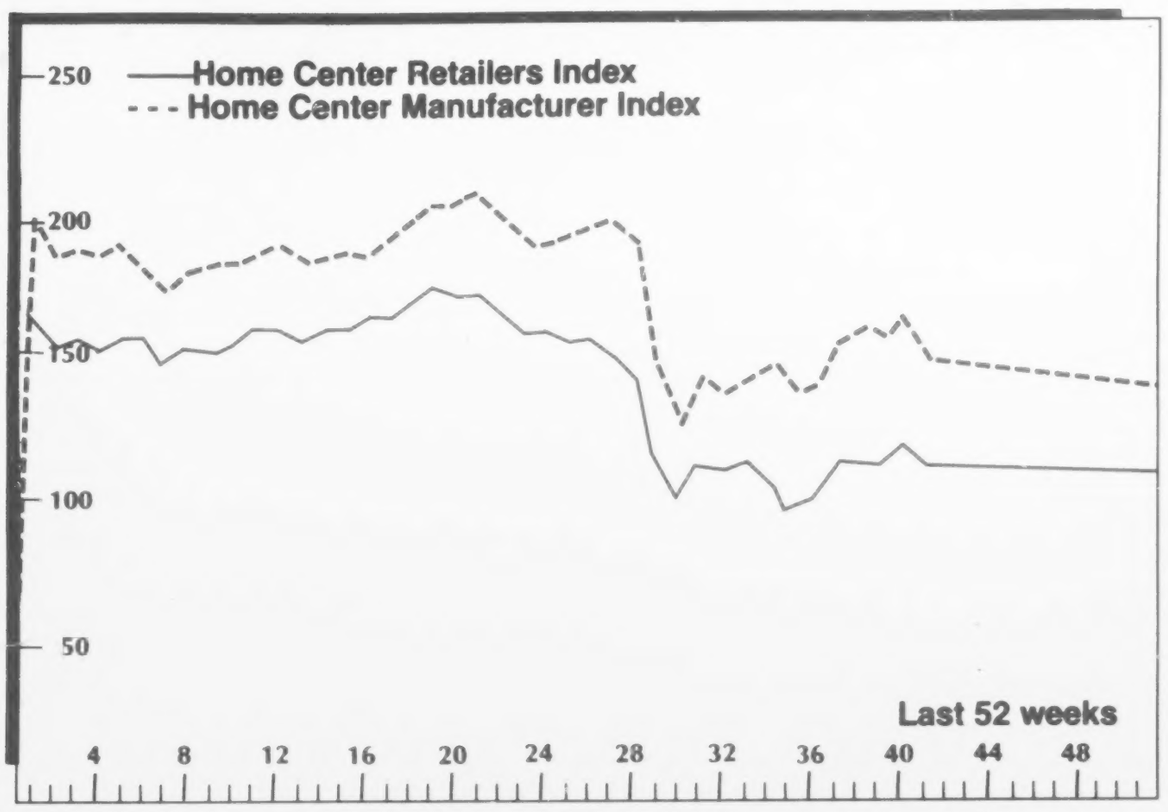
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on March 31, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Industry stocks take a beating

With a few exceptions, the 57 companies tracked for *NHCN* by Media General took it on the chin for the two-week period ending March 31, with retailers bearing the brunt of the slide.

Of 19 retailers, 16 posted losses. Standard Brands Paint led the decline with a 15.4 percent drop, to $12.38.

Hechinger's class A stock was the next-biggest loser, dropping 12.5 percent to close at $16.63. Hechinger's Class B stock was down 11.8 to close at $16.75. National Hardgoods was down 9.8 percent to $4.63. Wickes Cos. declined 8.3 percent to $9.63. The Strober Organization was off 2.3 percent, to close at $10.50, after a month of strong gains. In the previous two-week period, Strober announced the company may be for sale.

Three retailers did buck the trend. Wolohan Lumber jumped 17.9 percent to $15.63; General Building Products posted a 14.3 percent gain to close at $6; and National Lumber shot up 13 percent to close at $3.25.

Among manufacturers, Weyerhaeuser dropped 10.9 percent to $38.75.

Weyerhaeuser's drop was closely followed by Armstrong World, down 10.2 percent to $34.25 and Boise Cascade, down 10 percent to $44.

USG was the only significant gainer, climbing 8.9 percent to $38.13.

Wholesalers fared the best, with Moore Handley the only one of four declining. Its stock dropped 5.9 percent to $4.

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	2-Weeks Ended 3-31-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	6.00	.75	14.3	6.00	5.00	11.75	4.00	557	1.39	.83	67.5	10.3	.00	.0	.....	fiscal	11-87	18.1	9.0	.3	- 57.1	.10	- 56.5	67.6	17.8	2.1	5.0	.58	- 13.4
Grossman's Inc M	7.63	- .38	- 4.7	8.13	7.63	10.25	4.13	10,024	3.84	2.96	29.7	14.4	.00	.0	.....	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A M	16.63	- 2.38	- 12.5	18.50	16.50	26.50	14.25	13,930	12.74	3.09	312.3	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	16.75	- 2.25	- 11.8	18.25	16.25	26.75	15.50	1,248	.77	.27	185.2	14.3	.06	.4	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot N	24.00	- 1.00	- 4.0	25.25	23.25	28.09	12.13	16,909	3.44	1.92	79.2	21.2	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc N	42.00	- 3.13	- 6.9	45.25	41.50	54.00	29.50	8,375	2.11	.90	134.4	11.8	1.72	4.1	.....	9 mos.	11-87	924.0	22.0	43.5	46.0	1.05	11.7	2548.3	29.9	108.4	60.4	2.57	20.1
K mart Cp N	33.38	- 2.63	- 7.3	36.38	32.63	48.38	21.63	33,643	1.67	1.27	31.5	9.8	1.16	3.5	.....	fiscal	01-88	7754.6	11.8	321.2	6.8	1.58	6.0	25626.6	7.6	692.2	15.8	3.40	14.1
Lowe's Cos N	19.38	- .50	- 2.5	21.00	19.00	32.50	15.25	4,580	1.16	1.02	13.7	12.6	.44	2.3	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods M	4.63	- .50	- 9.8	5.13	4.63	9.50	3.75	70	.52	.63	- 17.5	7.0	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber M	3.25	.38	13.0	3.25	2.88	7.00	2.75	877	1.56	.34	358.8	NE	.00	.0	.....	*	10-87	NC	NC	NC	NC	NC	NC	120.9	NC	.5	NC	.08	NC
Pay n Pak N	14.25	- 1.00	- 6.6	15.25	13.75	21.50	11.50	1,021	1.02	.57	78.9	13.3	.00	.0	.....	9 mos.	11-87	110.7	9.2	2.6	36.8	.26	36.8	338.5	7.4	10.3	94.3	1.03	94.3
Payless Cash N	14.75	- .38	- 2.5	15.50	14.25	26.13	9.63	11,400	3.29	2.58	27.5	18.7	.16	1.1	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc N	14.63	- .25	- 1.7	15.00	14.00	15.88	10.00	766	.52	.47	10.6	19.0	.52	3.6	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck N	35.75	- 2.38	- 6.2	38.75	35.38	59.50	26.00	52,041	1.37	.96	42.7	8.2	2.00	5.6	.....	fiscal	12-87	14048.4	4.8	562.1	3.5	1.49	2.8	48439.6	8.3	1649.4	22.1	4.35	20.2
Std Brd Pnt N	12.38	- 2.25	- 15.4	14.63	12.13	31.88	11.88	2,193	1.95	1.60	21.9	9.0	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz M	10.50	- .25	- 2.3	11.50	10.50	15.00	6.25	1,053	1.73	.96	80.2	11.4	.00	.0	.....	9 mos.	09-87	27.6	10.8	1.7	6.3	.27	- 10.0	75.2	10.1	4.3	13.2	.70	- 6.7
Wickes Cos N	9.63	- .88	- 8.3	10.63	9.50	25.00	7.25	12,962	2.71	1.63	66.3	12.5	.00	.0	NEW	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber M	15.63	2.38	17.9	15.63	13.75	18.75	8.75	2,629	4.48	1.44	211.1	10.2	.24	1.5	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	.70.0
Zayre Corp N	21.25	- .38	- 1.7	24.13	20.75	37.00	13.50	40,862	7.21	5.14	40.3	10.1	.40	1.9	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply N	27.88	.38	1.4	27.88	27.13	30.25	19.75	375	1.13	.65	73.8	10.1	.44	1.6	NEW	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley M	4.00	- .25	- 5.9	4.00	4.00	9.75	3.75	1	.00	.15	-100.0	15.4	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer M	7.50	.63	9.1	7.63	7.00	9.63	5.75	1,690	4.48	1.38	224.6	18.8	.28	3.7	NEW	fiscal	01-88	46.8	.0	.2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Stanline Inc M	12.88	.00	.0	13.00	12.88	13.31	6.19	221	1.24	1.54	- 19.5	11.2	.32b	2.5	.....	3 mos.	01-88	16.1	15.0	.5	66.7	.26	36.8	16.1	15.0	.5	66.7	.26	36.8
Manufacturers																													
Am Consum Prods M	13.00	- 1.00	- 7.1	13.25	12.50	14.75	7.88	454	2.18	1.39	56.8	16.3	.00	.0	.....	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard N	76.63	.75	1.0	77.00	75.63	77.00	30.50	47,280	15.14	9.87	53.4	18.3	1.80	2.3	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark M	9.50	.00	.0	9.50	9.00	17.00	6.50	185	.27	.44	- 38.6	11.0	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld N	34.25	- 3.88	- 10.2	38.50	33.88	47.38	22.50	13,790	2.98	1.91	56.0	10.8	.90	2.6	NEW	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker N	18.63	- 2.00	- 9.7	21.38	18.50	26.50	13.00	47,841	8.20	4.32	89.8	16.9	.40	2.1	.....	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade N	44.00	- 4.88	- 10.0	48.88	41.50	52.13	28.81	9,849	2.18	1.38	58.0	11.9	1.20	2.7	.....	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed N	47.25	.00	.0	47.63	47.00	47.63	24.13	10,042	5.29	2.30	130.0	14.6	1.00	2.1	.....	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl N	33.50	- 2.50	- 6.9	35.88	32.75	44.63	21.75	30,528	3.21	1.85	73.5	8.3	.80	2.4	.....	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl M	7.25	.50	7.4	7.25	6.63	18.25	5.00	714	1.40	1.20	16.7	12.5	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus N	58.63	- 1.75	- 2.9	60.50	57.25	74.50	39.00	9,983	1.99	1.06	87.7	16.9	1.80	3.1	NEW	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc N	30.25	- .75	- 2.4	31.25	30.25	42.00	21.00	163	.41	.97	- 57.7	11.4	1.40	4.6	.....	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Emhart Corp N	21.88	- 1.75	- 7.4	24.00	21.63	26.63	15.50	10,630	1.70	.61	178.7	12.9	.80	3.7	.....	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific N	38.88	1.25	3.3	39.13	34.50	52.38	22.75	51,258	4.83	1.66	191.0	9.2	1.20	3.1	.....	fiscal	12-87	2229.0	25.2	112.0	34.9	1.07	42.7	8603.0	19.1	458.0	54.7	4.23	57.2
Insilco Corp N	19.13	- .88	- 4.4	20.38	18.88	28.13	14.00	3,084	1.48	1.06	39.6	5.0	1.00	5.2	.....	fiscal	12-87	93.4	- 45.8	- 40.7	- 100.0	2.58	486.4	637.7	- 14.4	- 13.9	- 100.0	3.85	143.7
La Pacific N	31.00	1.38	4.6	31.38	28.38	39.75	21.50	10,578	2.76	.94	193.6	9.5	.80	2.6	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel M	15.38	- 1.63	- 9.6	16.88	15.38	23.50	12.00	7,103	.69	.45	53.3	NA	.85	NA	.....	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp N	2.38	- .13	- 5.0	2.63	2.38	5.38	2.00	2,282	.95	.75	26.7	.4	.00	.0	.....	fiscal	12-87	522.5	12.8	31.5	82.1	1.05	128.3	2063.2	7.4	164.1	102.1	5.79	147.4
Masco Corp N	26.38	- 2.00	- 7.0	30.00	26.13	40.63	18.75	24,269	1.83	1.13	61.9	16.0	.40	1.5	.....	fiscal	12-87	543.3	20.7	30.8	- 44.4	.23	- 43.9	2023.3	39.3	218.8	7.6	1.65	5.8
Mor-Flo Inds M	6.25	.00	.0	6.25	6.00	13.50	5.50	112	.45	.25	80.0	NE	.01	.2	NEW	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co N	38.75	.75	2.0	40.00	37.88	43.00	21.13	2,295	1.99	1.12	77.7	14.1	1.00	2.6	.....	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Nortek Inc N	9.75	- .13	- 1.3	10.13	9.50	15.38	5.00	2,717	1.77	1.25	41.6	NE	.10	1.0	NEW	fiscal	12-87	269.9	- 6.8	- 18.1	- 100.0	(1.14)	NE	1245.8	29.4	- 6.7	- 100.0	- .43	- 100.0
Owens Corn N	20.13	- .50	- 2.4	21.63	19.38	32.38	9.00	10,707	2.86	2.43	17.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	13.88	.13	.9	14.00	13.00	17.75	9.00	1,692	1.51	1.39	8.6	21.0	.12	.9	.....	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot N	20.25	- .13	- .6	20.63	19.13	27.25	9.75	2,298	1.91	2.37	- 19.4	8.7	.50	2.5	.....	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	37.6	28.1	77.8	2.33	76.5
Potlatch Cp N	30.75	- 2.50	- 7.5	33.13	29.13	40.88	21.00	2,146	.80	.63	27.0	9.8	.92	3.0	.....	fiscal	12-87	252.7	3.9	24.9	23.9	.90	25.0	992.1	1.6	87.6	25.3	3.13	25.7
PPG Inds N	39.00	- 1.13	- 2.8	40.75	37.50	53.50	27.50	13,790	1.15	.95	21.1	12.2	1.20	3.1	.....	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms N	27.88	- 1.38	- 4.7	29.75	27.88	37.50	20.13	5,167	1.17	.90	30.0	13.0	.64	2.3	.....	fiscal	12-87	408.3	16.5	20.3	- 30.5	.46	- 42.5	1792.7	15.4	96.6	- 8.9	2.15	- 6.9
Stanley Works N	29.63	- 1.13	- 3.7	30.75	27.88	36.63	21.25	4,155	.95	.54	75.9	14.8	.88	3.0	.....	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	7.5
Thos Inds N	21.00	.00	.0	22.38	20.63	22.38	13.81	1,566	1.49	.84	77.4	12.8	.68b	3.2	.....	fiscal	12-87	80.5	6.5	4.8	50.0	.46	48.4	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind N	28.50	.88	3.2	28.50	27.00	44.00	22.50	7,187	3.17	1.74	82.2	15.0	.12	.4	.....	fiscal	12-87	995.8	27.1	- 34.5	NE	(1.19)	NE	4336.1	62.5	55.5	18.1	1.90	- 26.1
Union Camp N	33.38	- 2.50	- 7.0	36.00	32.75	48.19	26.00	16,098	2.18	1.07	103.7	11.8	1.16	3.5	.....	fiscal	12-87	609.8	14.0	59.0	37.9	.81	39.7	2307.6	12.8	207.5	59.7	2.83	59.9
USG Corp N	38.13	3.13	8.9	39.50	34.38	55.88	23.50	51,959	10.09	3.83	163.4	9.6	1.12	2.9	.....	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 64.5	2898.1	6.4	204.3	- 9.4	3.96	11.9
Waxman Ind M	11.38	- .38	- 3.2	12.13	10.63	12.63	7.25	1,915	3.04	2.32	31.0	14.2	.10	.9	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser N	38.75	- 4.75	- 10.9	43.38	38.50	60.00	19.00	24,625	1.81	1.21	49.6	12.2	1.50	3.9	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Lloyd parent puts troubled company on selling block

(Continued from page 1)
spell Lloyd's future.

Cawley said he has not discussed an LBO with American Maize or Lloyd's managers. He said American Maize has not suggested potential buyers to him or given him a timetable for the sale.

Lloyd's managers were told of American Maize's decision shortly before the public announcement.

One store manager who asked not to be named said he was concerned his staff would begin job hunting, leaving the store shorthanded. But this manager wasn't surprised by American Maize's announcement, given the chain's anemic earnings.

Brighton said Lloyd's lost more than $7 million on sales of $110.2 million in 1987. The losses have gotten progressively more severe each successive year since 1984. Profits have been a problem for the chain ever since it was purchased by American Maize in 1979, which combined it in the early 1980s with two other chains in New York and Pennsylvania.

In its 1987 annual report released in February, American Maize said 1987 losses came from "unacceptably low" margins.

Historically, American Maize blamed losses on the unexpectedly high cost of centralized management for the combined chains, which eroded operating profits, despite sales increases.

To put Lloyd's in the black, American Maize began an extensive cost-cutting program in 1987, which included store renovation, moves to boost margins and efforts to cut warehouse, distribution and operating costs.

But in its annual report, the company acknowledged that the plan was not successful. American Maize said that while renovations and the program to offer higher-end merchandise and increased margins were working, "we did not get the impact we needed in 1987, since many of the renovations were completed behind schedule."

Because of the problems, American Maize postponed the opening of three stores in 1987: two in Connecticut and one in New York's Duchess County, N.Y. Despite their obvious disappointment with Lloyd's, Ziegler and John C. McCormick, American's president and chief operating officer, said in a statement to stockholders that they were "fully committed to this [restructuring] effort, [and] we expect measurable results within the first half of this year."

Neither man could be reached for comment.

Cawley, pointing to the restructuring, said he expects Lloyd's to "make substantial improvements [financially] on what went on in 1987." But he would not predict whether it will show a profit this year.

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Vol. 14, No. 8 April 18, 1988

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Trademark attorneys hunt down copy cat products at trade show

(Continued from page 6)
the blade.

These esoteric distinctions are what single out products made by Makita, Channellock, Hyde or any other supplier in the public's mind. Owens-Corning literally owns the right to make the only pink fiberglass insulation in the business, Aronson said.

He explained that unlike patents, trademarks last the life of a product, but if they're protected and policed.

So if a manufacturer fails to act to stop copying a color on a product, that color will be lost as a trademark and any number of manufacturers may use it.

"You've come to know, looking at a green and red stripe on a shoe, it's an expensive shoe even if you don't know the company name [Gucci]. It's not fair for another manufacturer to use that symbol on a cheaper product," he said.

East Coast to expand K&B offering

(Continued from page 1)
In addition, Hancock Lumber, the Casco, Maine-based retailer that operates traditional lumberyards, opened its first retail store, a specialty window outlet, in Portland last January.

East Coast Lumber is facing a severe management shortage and cutting back on its lumber operation was a "good way to tap known quality personnel for our retail operations," according to Lowe. In addition, East Coast Lumber is reducing the scope of its Import/Export division to focus on "niche products," notably sheetrock, laminated timber and pressure treated timbers.

The company, however, will continue to operate its Twin River saw mills.

But East Coast also wants to find customers to take rough, green, pine boards instead of the kiln-dried lumber.

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Payless' chairman unveils plan to boost flat earnings

By Gary S. Ruderman

KANSAS CITY, Mo. — Payless Cashways is taking some dramatic risks in 1988 to pull out of what has been five years of flat earnings.

And the bulk of its moves is geared towards differentiating the 196-unit chain's stores from warehouse competitors they are encountering with greater frequency.

Speaking to shareholders at the chain's annual meeting here on April 14, Payless' chairman David Stanley charted the chain's course for the next few years:

Corporate raider sets sights on Payless. See page 6.

- Payless will establish "category killer" departments in tools, kitchens, major appliances and millwork;
- The chain is reverting to a higher percentage of tabloid ads and will cut TV and radio ad budgets by 10 percent;
- Price changes on some products will present the chain as able to compete and attract customers with promotional "sales";
- Payless is sharpening its site selection process so it is no longer "so easily preempted" by warehouse and other low-

(Continued on page 94)

Retailers are reporting brisk mower sales with the return of spring. Pictured is West Building Materials its Athens, Ga., which sells both riding and walk behind mowers. NHCN photo

Mower sales blossom with advent of spring

By Edward McKinley

NATIONAL REPORT — As spring turns into summer, lawn mowers are selling briskly again this year. Some home centers are getting back into the category to flesh out their lawn and garden departments, while manufacturers contemplate plans to lure dealers from private label to national brands.

"We got back into it this year and sales are really strong," said Richard Dodd, lawn and garden buyer for Scotty's, the Winter Haven, Fla.-based, 149-store chain.

Dodd said he re-entered the business to "round out our program," and because customers were asking for mowers.

The move seemed logical, Dodd said, because his com-

(Continued on page 94)

Government, private industry join forces to promote exports

By Kate Walter

NATIONAL REPORT — For the past five years, S.L. Waber, the electricals supplier based in Westville, N.J., had an international division that handled exporting for the company.

But last month, that was disbanded, according to vp-sales and marketing Scott Hammill, because "it wasn't economically viable." Chaos ensued.

"Exporting is so new to us," Hammill explained. "And now it's left to the individual [companies Waber runs], and we have a lot of questions. What about freight forwarding? Packaging? Shipping? Foreign currency? We

(Continued on page 95)

AHMA executive director William P. Farrell (l) discusses exporting with Commerce secretary C. William Verity at an "Export Now" meeting.

Cost of OSHA compliance causes concern

By Suzanne Floyd

NATIONAL REPORT— At best it will be a tremendous amount of paperwork.

But the worst case scenario for dealers, wholesalers and manufacturers complying with new Occupational Safety and Health Administration (OSHA) mandates could prove costly.

The OSHA regulation, known as the Hazard Communication Standard (HCS), becomes effective May 23. It involves taking stock of all materials deemed hazardous by OSHA, preparing Material Safety Data Sheets (MSDS)

(Continued on page 96)

Navajo seek product knowledge at seminar

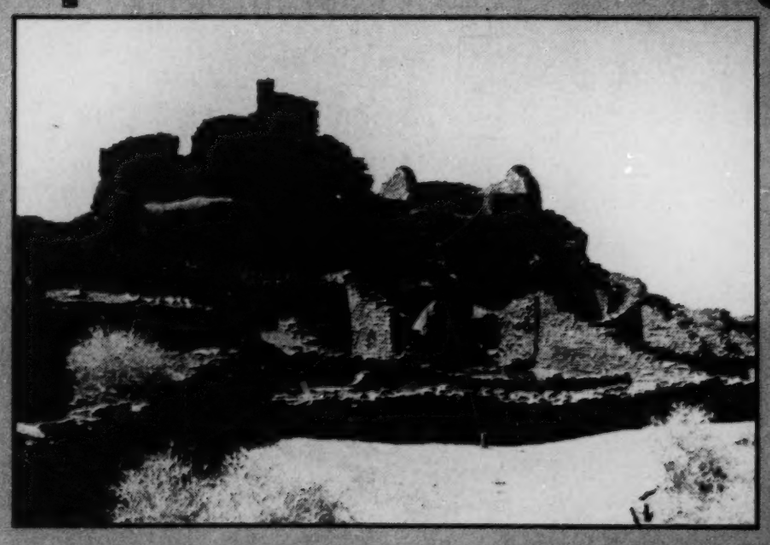
Indian purchasing agents attend Babbitt three-day program

By Milford Prewitt

FLAGSTAFF, Ariz. — Sarah Paterson buys lumber and building materials for the Navajo Indian reservation near here, but it wasn't until she attended a seminar that she became familiar with fiberglass roof shingles.

She said she also didn't know that there are associations that monitor and grade the quality of lumber or that plywood is composed of a certain number of plys.

(Continued on page 95)



Attending product knowledge seminar for Navajo Indians are (left to right): W. David Chambers, vp building products division Babbitt Brothers; Ed McCabe, director Navajo Housing Service Department; T.K. Graybeal, Babbitt Brothers salesman, and Vern Charleston, administrator of the Navajo-managed Housing Improvement Program. Also shown is the Wupatki National Monument, ruins of an ancient Indian city.

INSIDE

Kitchen and Bath

More than 10 million Americans remodeled their homes' kitchens and baths in 1987, according to the National Kitchen and Bath Association. And home improvement dealers continue to cash in on that growth by expanding the areas in their stores devoted to these product categories, and by training their salespeople to promote the bigger-ticket project, which can run over $20,000.

NEWSBREAKS

WICKES COS. SELLS LUMBER UNIT TO MANAGEMENT: Management of Vernon Hills, Ill.-based Wickes Lumber, led by general manager Les Hagen, signed a definitive agreement April 21 to purchase the 225-unit national chain from its Santa Monica, Calif.-based parent for $320 million in cash and notes. Closing was slated for April 29. Bankers Trust Co. of New York will be an equity partner. General Electric Capital Corp. will provide the debt financing.

INDUSTRY UPDATE

Claster's plans expansion

BELLEFONTE, Pa. — More space means more room for products and more sales.

That's the idea behind a major renovation and expansion program M.L. Claster & Sons is starting.

Within a year, Claster's will begin replacing or significantly expanding each of its 11 stores, according to company president J.L. Claster. The cost per store will average $2 million, he said.

The first store scheduled for an overhaul is the Claster's in Altoona, Pa.

The company plans to build an additional 30,000 square feet of space onto the existing 7,000-square-foot Altoona store.

The chain's product mix will not change, Claster said, but more choices will be offered in each category. As a result, skus will increase from an average 7,000 per store, he said.

Claster's sales were $38.5 million in 1987, compared with $33 million in 1986.

Hypermarket set for Kansas City

BENTONVILLE, Ark. — Wal-Mart will open its fourth hypermarket in Kansas City, Mo., instead of St. Louis, Mo., the company said in April.

Stacey Duncan, the chain's public relations coordinator, commented that the 220,000-square-foot St. Louis Hypermarket U.S.A. was scratched because of inadequate parking.

St. Louis newspapers reported that local grocery and meat cutter unions may have instigated the cancellation.

Wal-Mart isn't abandoning St. Louis, and plans to open a 107,000-square-foot Sam's Wholesale Club and a 91,000-square-foot Wal-Mart unit.

Builders Design grows again

RADNOR, Pa. — Builders Design has signed a letter of intent to acquire the four-unit Campbell's Carpets, a northern California chain, contingent on an audit, for an undisclosed amount.

Builders will finance 60 percent of the purchase with stock and 40 percent with notes.

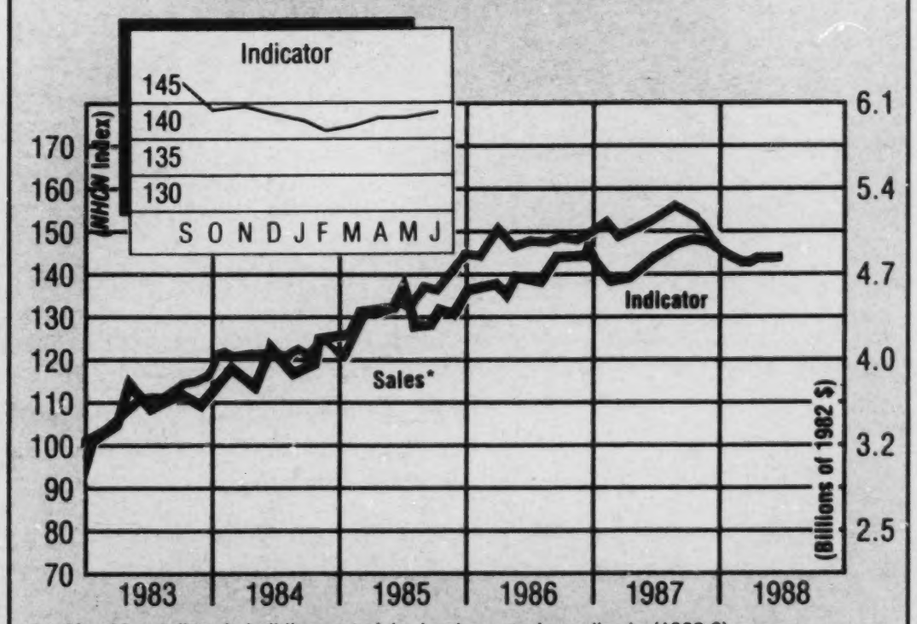
Privately held Campbell's had sales of $21 million last year.

It markets and installs carpeting and other floor coverings, wall coverings and window treatments. It plans to open a fifth store in May.

Robert R. Salyard, president of Builders Design, said his company plans to expand Campbell's by promoting retail sales to the home remodeling market, beefing up sales of window treatments and opening additional stores. It will be merged with Builders Design's Letco operaton.

Salyard said Campbell's would mesh with Letco, a floor covering chain Builders Design recently acquired for $36 million.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator points to a decline in second-quarter sales due to weak single-unit housing starts and resales. Business Watch (page 85) highlights a projected rise in mortgage rates to hamper sales in the second half.

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RTA furniture show canceled due to slow sales, poor turnout

By an NHCN staff editor

LINCOLNSHIRE, Ill. — The International Ready-To-Assemble Furniture Show, which was to be held in Atlanta in November, has been canceled by its sponsor.

Vance Publishing here cited sagging exhibit sales and heavy cancellations by overseas manufacturers that booked space prior to the fall of the U.S. dollar.

"The organizers started early and ran lots of ads and lots of press," said Dave Brown, marketing manager at Armstrong World Industries.

INTERNATIONAL Ready-To-Assemble Furniture Show

"If that isn't sufficient to rally the troops, then the retail buyer is sending a clear message."

Prior to the announcement, several home center dealers and manufacturers had questioned the need for another show and complained of the high cost of exhibition space (*NHCN*, April 18).

John F. Berry, director of Vance Trade Shows, declined to elaborate on the reasons for the show's cancellation but in a prepared statement said that "It would be less than fair if we were to proceed with an exhibition that would not have the worldwide product lines that would appeal to the buyers from all of the various disciplines of retailing now offering RTA products and accessories."

Armstrong creates mockup of specialty RTA furniture store

By an NHCN staff editor

THOMASVILLE, N.C. — Armstrong World Industries, the Lancaster, Pa.-based manufacturer, has created a mockup of a specialty ready-to-assemble (RTA) furniture store at its production plant here.

The concept is designed to encourage furniture retailers to set up similar units in shopping malls.

Customers visiting such a store would be able to see the RTA furniture displayed in fully accessorized room settings. They could buy the product there and have it delivered through the furniture company's normal delivery service.

"It's confusing to the consumer to put [RTA] with assembled furniture," said David Brown, marketing manager of RTA furniture at Armstrong. "In this way the furniture retailers could use their management expertise and finances to open satellite stores."

He continued, "The furniture retailer doesn't have the casual walk-in traffic and doesn't generate a lot of traffic through the store. The mall store would give him this opportunity of exposure to the casual impulse-related shopper."

Armstrong has already conducted four consumer focus groups in its mockup specialty store.

It has also made use of its geographical location, seven minutes drive away from the Furniture Mart held in High Point, N.C., to invite several furniture retailers to the showroom during the April show.

Brown expects the concept to be refined and ready to roll out on a limited basis by early 1989.

Ply Marts opens units for storage items

By an NHCN staff editor

NORCROSS, Ga. — Ply Marts, the four-unit chain based here, has launched a specialty retail operation devoted to storage products, space-saving systems and storage organization called A Place For Everything.

George Garrett, vp of Ply Marts, said the company opened the first unit of the new venture in a shopping center here March 1 and is looking to open another four to five units in "strategically placed locations" around Atlanta in the near future.

"But we have to see how the first unit goes," Garrett said.

A Place For Everything is in a 3,000-square-foot store, about 1,000 square feet larger than the average Ply Marts unit, and is stocking about 600 items. Garrett said the inventory will ultimately hit 800 skus.

Garrett said Ply Marts, which traditionally has earned less that 12 percent of its sales from consumers, is primarily aimed at homeowners.

Last year, the company had annual sales of $37 million.

Garrett said A Space For Everything is to help new and veteran homeowners do more with the space they already have in their homes.

"According to the home builders show in Dallas," Garrett said, "the number one item the new homeowner wants is more storage space. The bad thing about that, though, is that the cost of housing is increasing while the square footage is decreasing."

As a result of the market opportunity presented by a lack of home storage, Garrett said the new operation will offer a number of unusual and difficult-to-find storage items.

He said one of the unique items the company will stock are motorized closet carousels for clothes closets, utility closets, garages or attics. Garrett explained that these motorized units will allow easy access to home products and promise to be popular with consumers.

Another product in the inventory is collapsible shelving that fits underneath and outside kitchen or bathroom cabinets, a space, Garrett says, "no one ever uses, it just goes to waste."

Other products with much potential are collapsible tables that are permanently installed to a wall. When folded, the tables only take up about three inches in width, but when pulled out to its full breadth the table is three to four feet long.

In the same vein, A Place For Everything will stock collapsible cedar chests, partially made of canvass, which can fold up and fit under bed spaces or in closets.

To highlight the various uses of these products and the space savings they afford, Garrett said vignettes have been built inside the store to simulate garages, attics and kitchens with the storage items installed as they would be at a consumer's home.

"The whole idea is to try to segment the different types of products so the shopper can best see how they work," Garrett said.

Garrett said the company will strive to avoid the temptation of stocking such common items as food storage containers. "There are so many other places where that kind of stuff is available," Garrett said.

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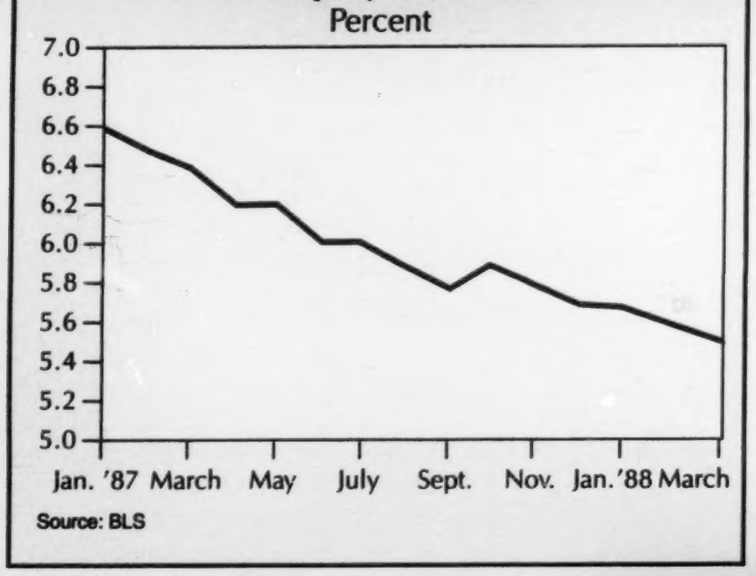
Business Watch

Section 4

Tightening labor markets . . .



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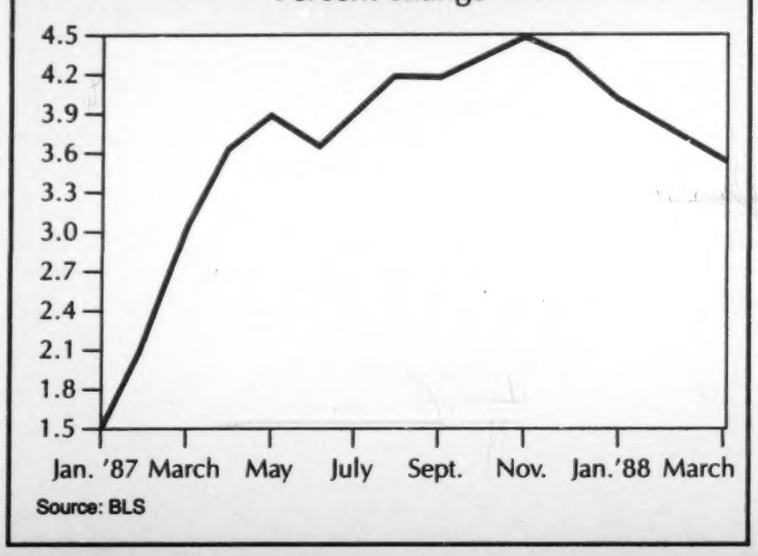

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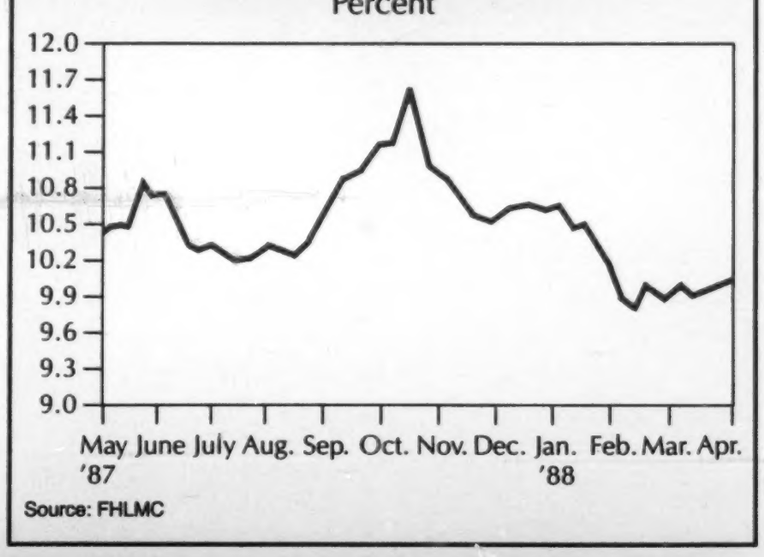
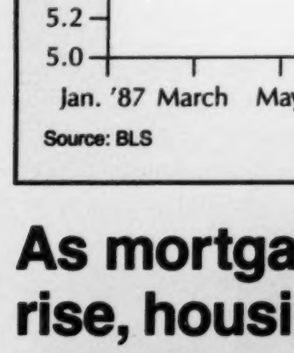


As mortgage rates rise, housing market becomes weaker

By Richard E. Mount
Special to NHCN

Mortgage rates are headed higher again, and interest rate-sensitive markets such as housing and resales will weaken in the second half. This rise should be modest, however, causing building materials sales to rise only 3 percent this year. Adjusted for expected price increases, unit volume could be down 1 percent.

In 1987, interest rates rose in April and September in an attempt to stem the dip in the dollar. Following the correction in the stock market in October, however, the Federal Reserve became more commodious to avoid an economic downturn. Mortgage rates dropped from almost 12 percent in mid-October to below 10 percent in February and early March, turned up in mid-March and should continue to rise.



Richard E. Mount

- The unemployment rate declined from 6.5 percent to 5.5 percent within one year. Wage increases should be somewhat stronger in the next year.
- The dollar's decline will raise the price of imported goods and give domestic producers more flexibility.
- In 1986, the drop in energy prices and softness in agricultural commodities slowed inflation to an artificially low 1.5 percent. Now it has been running at a 3.5 to 4.5 percent pace.

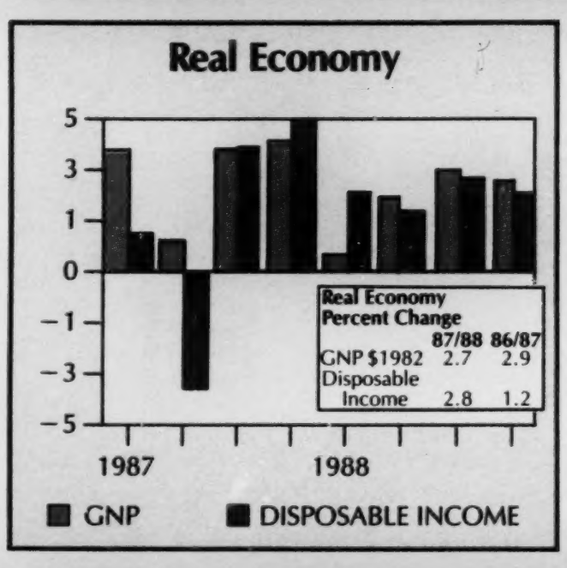
The increase in mortgage rates in 1988 should be modest, putting gradual pressure on housing. A rise to 10.8 percent by year end appears likely.

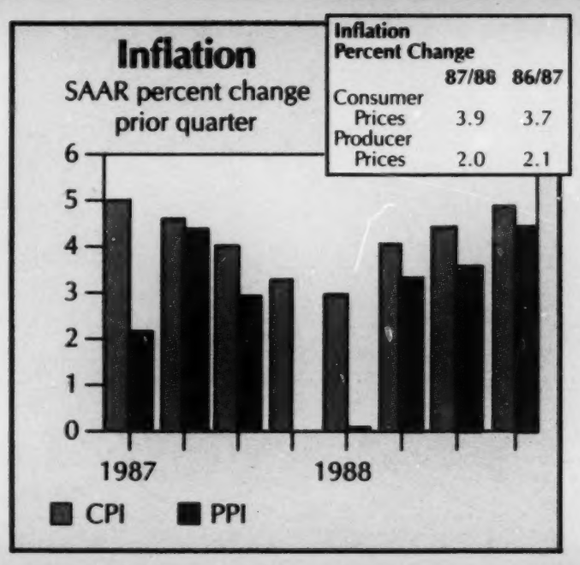
- A sharp rise in interest rates would increase the dollar's value.
- The Federal Reserve does not want to cause a recession.

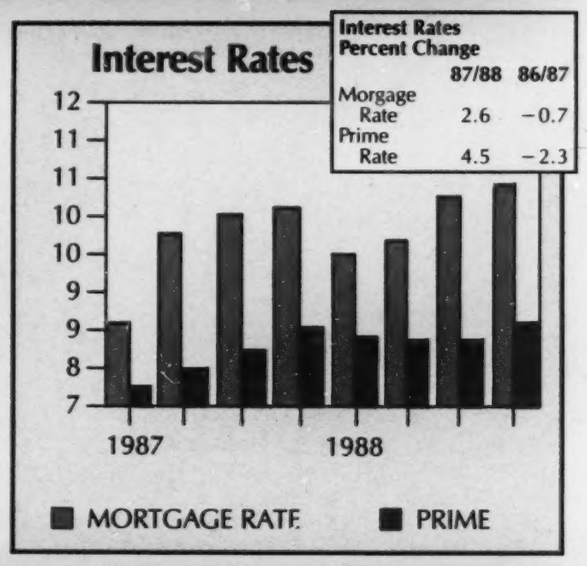
The upturn in starts and resales should increase sales in the summer. And the rise in rates will be slow and in a time when the economy is strong. With income rising, the increase in mortgage rates should dampen starts and resales, not constrict them.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

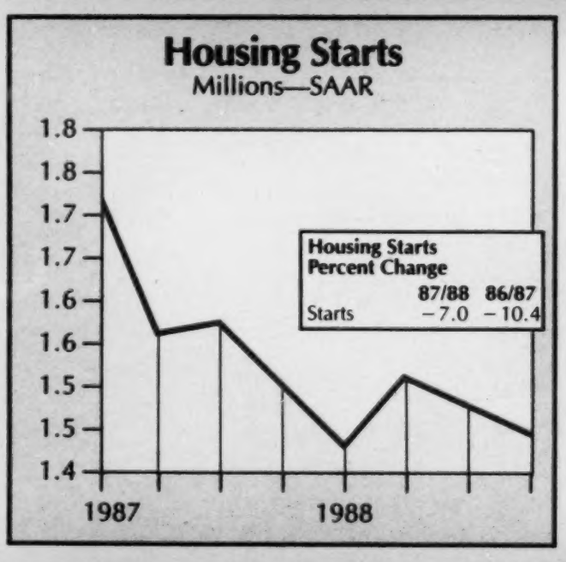
General Business Conditions

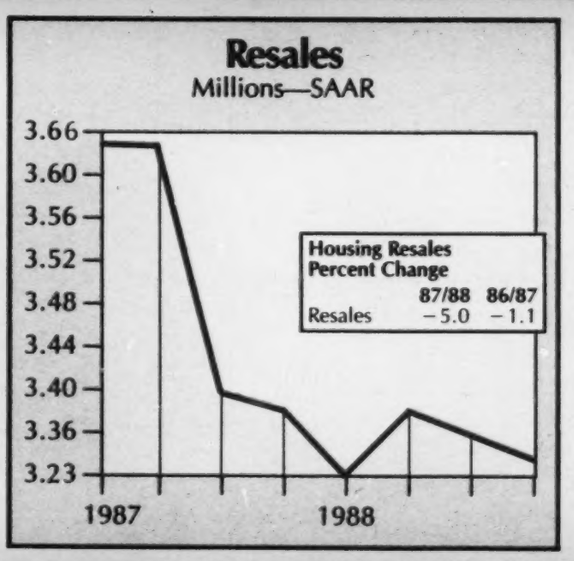


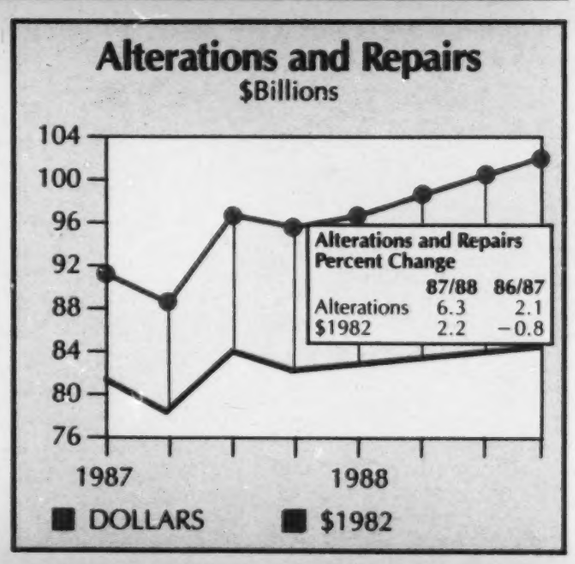




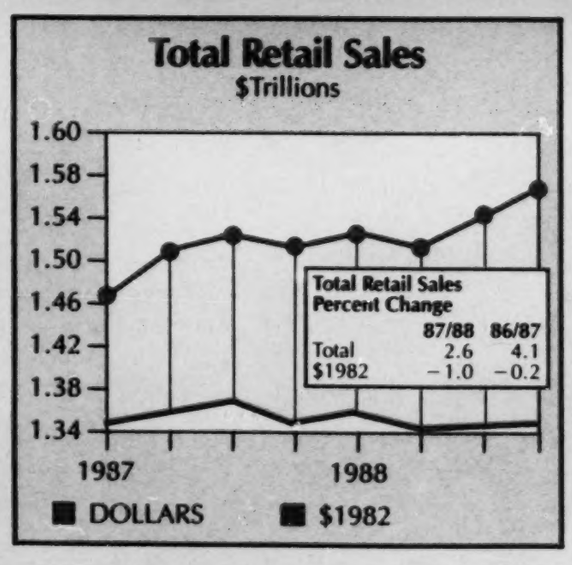
Housing

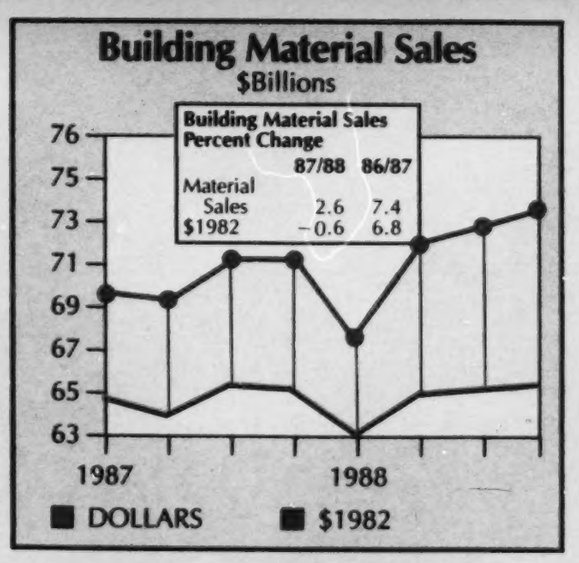


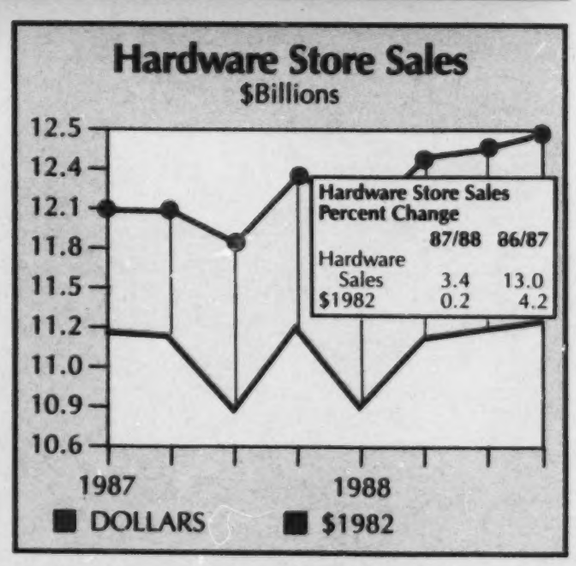




Retail Trade Activity







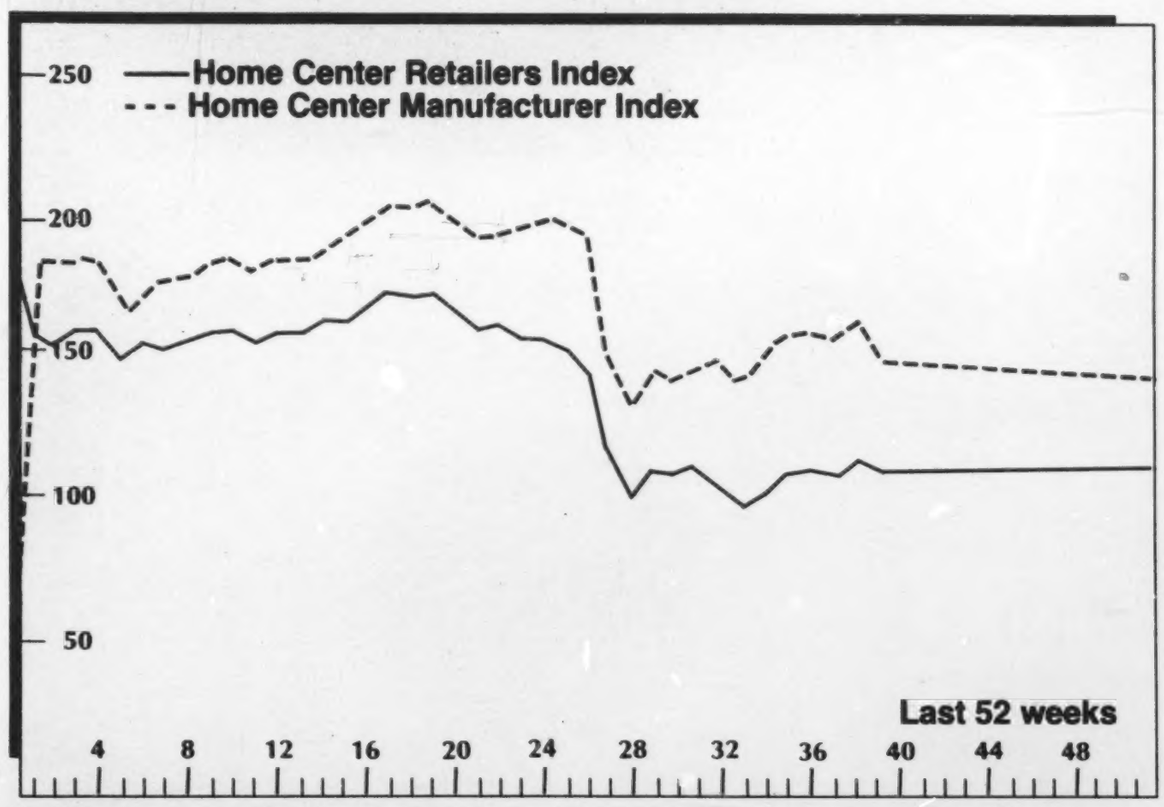
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on April 15, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Industry stocks show mixed bag

The two-week period ending April 15 was a mixed one for most of the 56 home center retailers, manufacturers and wholesalers tracked for *NHCN* by Media General.

Spectacular movement in both directions was coupled with modest losses or gains. Of the 56, 26 were up, 25 were down and five were flat.

Leading the pack of major retail movers was Payless Cashways, whose stock soared 19.5 percent, on rumors that corporate raider Asher Edelman had purchased a stake in the Midwestern firm. Payless closed at $17.63, after hitting a high of $19.25 for the two-week period.

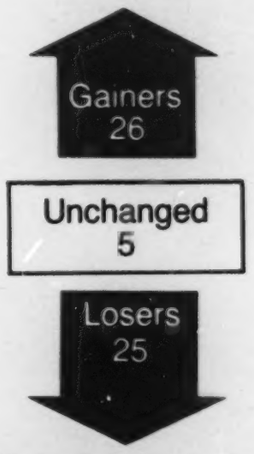
National Hardgoods also posted a strong gain, 18.9 percent, to close at $5.50.

Among the wholesalers, Lewis Palmer stood out, with an 18.3 percent gain. Its stock closed at $8.88.

Manufacturers posted the most mixed results. Clairson International took the worst beating, falling 20.7 percent to close at $5.75. Nortek fell 14.1 percent, to $8.38, after the company reported a $7.2 million net loss for fiscal 1987.

Ply-Gem was down slightly, 5.4 percent to $13.13, following an announcement that a privately held Spanish investment firm would buy into the company. Ply-Gem also lost out to General Electric on a bid to buy Wolverine.

But Waxman Industries posted a 15.4 percent gain, closing at $13.13. And Armstrong World was up 16.4 percent to close at $39.88.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	4-15-88	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	6.25	.25	4.2	6.50	5.50	11.75	4.00	876	2.18	.97	124.7	13.6	.00	.0	NEW	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc ..... M	7.75	.13	1.6	8.13	7.63	10.25	4.13	13,599	5.20	3.13	66.1	14.6	.00	.0	.....	fiscal	12-87	257.8	6.1	.8	33.3	.00	NE	1077.3	7.0	12.1	NE	.53	NE
Hechinger A ..... M	18.00	1.38	8.3	18.50	16.38	26.50	14.25	7,539	6.90	3.48	98.3	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.00	1.25	7.5	18.50	16.25	26.75	15.50	1,372	.84	.32	162.5	15.4	.06	.3	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot ..... N	24.13	.13	.5	27.00	23.25	28.09	12.13	22,036	4.48	1.95	129.7	21.3	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc ..... N	41.88	- .13	- .3	44.75	41.50	54.00	29.50	8,851	2.36	1.00	136.0	12.0	1.72	4.1	NEW	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp ..... N	33.38	.00	.0	37.00	32.63	48.38	21.63	65,914	3.27	1.34	144.0	9.8	1.16	3.5	.....	fiscal	01-88	7754.6	11.8	321.2	6.8	1.58	6.0	25626.6	7.6	692.2	15.8	3.40	14.1
Lowe's Cos ..... N	19.63	.25	1.3	21.00	19.13	29.75	15.25	6,997	1.77	.93	90.3	12.7	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	5.50	.88	18.9	6.00	5.00	9.25	3.75	209	1.54	.71	116.9	8.3	.00	.0	.....	9 mos.	10-87	10.7	27.4	- .1	- 100.0	- .04	- 100.0	33.1	28.3	.4	- 20.0	.31	- 11.4
Natl Lumber ..... M	2.88	- .38	- 11.5	3.25	2.88	6.50	2.75	868	1.54	.45	242.2	NE	.00	.0	NEW	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash ..... N	17.63	2.88	19.5	19.25	14.38	24.75	9.63	58,572	16.90	3.62	366.9	22.3	.16	.9	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	14.50	- .13	- .9	15.13	13.88	15.88	10.00	1,276	.87	.51	70.6	18.8	.52	3.6	.....	6 mos.	12-87	133.5	6.3	2.5	4.2	.17	6.3	257.2	5.3	4.8	20.0	.33	22.2
Sears, Roebuck ..... N	34.88	- .88	- 2.4	37.25	33.75	59.50	26.00	69,704	1.84	.96	91.7	8.0	2.00	5.7	.....	fiscal	12-87	14048.4	4.8	562.1	3.5	1.49	2.8	48439.6	8.3	1649.4	22.1	4.35	20.2
Std Brd Pnt ..... N	11.88	- .50	- 4.0	12.50	11.63	31.88	11.63	2,435	2.16	1.42	52.1	8.6	.00	.0	.....	9 mos.	10-87	87.6	2.0	4.4	4.8	.38	.0	259.6	2.6	12.8	4.1	1.14	4.6
Strober Organiz ..... M	10.75	.25	2.4	11.00	10.50	15.00	6.25	413	.68	.96	- 29.2	12.4	.00	.0	NEW	fiscal	12-87	26.4	9.5	1.0	- 16.7	.17	- 22.7	101.6	10.0	5.3	6.0	.87	- 10.3
Wickes Cos ..... N	10.13	.50	5.2	11.38	9.63	25.00	7.25	19,758	4.13	1.60	158.1	13.1	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber ..... M	14.88	- .75	- 4.8	16.38	14.50	18.75	8.75	1,857	3.17	1.54	105.8	9.7	.24	1.6	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp ..... N	24.00	2.75	12.9	26.13	20.88	37.00	13.50	113,495	20.02	6.41	212.3	11.4	.40	1.7	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply ..... N	27.75	- .13	- .4	29.13	27.75	30.25	19.75	436	1.31	.60	118.3	10.0	.44	1.6	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley ..... M	4.25	.25	6.3	4.88	4.00	9.50	3.75	144	.58	.20	190.0	16.3	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	8.88	1.38	18.3	9.00	7.38	9.38	5.75	1,679	4.45	1.45	206.9	22.2	.28	3.2	.....	fiscal	01-88	46.8	.0	.2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Stanline Inc ..... M	13.25	.38	2.9	13.25	12.88	13.31	6.19	1,421	7.97	2.17	267.3	11.5	.32b	2.4	.....	3 mos.	01-88	16.1	15.0	.5	66.7	.26	36.8	16.1	15.0	.5	66.7	.26	36.8
Manufacturers																													
Am Consum Prods ..... M	12.50	- .50	- 3.8	12.63	12.00	14.75	7.88	391	1.88	1.37	37.2	15.6	.00	.0	.....	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard ..... N	76.25	- .38	- .5	77.50	75.50	77.50	30.50	29,119	9.33	10.47	- 10.9	18.2	1.80	2.4	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark ..... M	9.38	- .13	- 1.3	9.63	9.25	16.13	6.50	140	.20	.43	- 53.5	10.9	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld ..... N	39.88	5.63	16.4	44.00	33.13	47.38	22.50	38,362	8.30	2.47	236.0	12.5	.90	2.3	.....	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker ..... N	19.75	1.13	6.0	20.25	18.25	26.50	13.00	29,841	5.11	4.44	15.1	18.0	.40	2.0	.....	3 mos.	12-87	612.3	15.7	31.1	38.8	.53	39.5	612.3	15.7	31.1	38.8	.53	39.5
Boise Cascade ..... N	46.00	2.00	4.5	49.00	43.75	51.16	28.81	15,524	3.44	1.42	142.3	12.4	1.20	2.6	NEW	fiscal	12-87	975.6	2.5	57.2	79.3	1.20	93.5	3820.8	2.2	183.0	80.3	3.70	85.9
Certain-teed ..... N	47.25	.00	.0	47.25	47.25	47.63	24.13	44	.02	2.27	- 99.1	14.6	1.00	2.1	NEW	fiscal	12-87	291.7	8.6	12.6	17.8	.66	15.8	1158.4	4.0	61.4	7.2	3.23	7.0
Champ Intl ..... N	34.50	1.00	3.0	36.63	33.25	44.63	21.75	37,037	3.89	1.88	106.9	8.6	.80	2.3	.....	fiscal	12-87	1157.5	9.4	82.1	27.3	.86	24.6	4614.7	5.2	382.0	90.2	4.03	93.8
Clairson Intl ..... M	5.75	- 1.50	- 20.7	7.25	5.50	18.25	5.00	755	1.48	1.19	24.4	9.9	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	59.50	.88	1.5	62.75	58.00	74.50	39.00	14,675	2.93	1.11	164.0	17.1	1.80	3.0	.....	fiscal	12-87	1008.8	19.7	56.4	18.7	1.12	14.3	3585.8	4.4	173.8	17.7	3.47	14.1
DeSoto Inc ..... N	30.38	.13	.4	31.50	29.50	42.00	21.00	711	1.78	.97	83.5	11.4	1.40	4.6	.....	fiscal	12-87	64.9	- 16.6	- .3	- 100.0	- .08	- 100.0	373.1	- 9.8	10.6	171.8	2.66	224.4
Emhart Corp ..... N	21.38	- .50	- 2.3	24.00	21.13	26.63	15.50	6,918	1.10	.62	77.4	12.6	.80	3.7	.....	fiscal	12-87	664.1	13.7	25.9	29.5	.42	61.5	2454.0	17.2	106.0	NE	1.70	NE
Georgia Pacific ..... N	39.50	.63	1.6	42.00	38.13	48.38	22.75	54,014	5.09	1.70	199.4	8.7	1.20	3.0	NEW	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp ..... N	18.50	- .63	- 3.3	19.75	18.25	28.13	14.00	6,275	3.01	1.16	159.5	4.8	1.00	5.4	.....	fiscal	12-87	93.4	- 45.8	- 40.7	- 100.0	2.58	486.4	637.7	- 14.4	- 13.9	- 100.0	3.85	143.7
La Pacific ..... N	30.38	- .63	- 2.0	33.38	29.75	39.75	21.50	12,523	3.27	1.06	208.5	9.3	.80	2.6	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel ..... M	15.38	.00	.0	16.25	15.25	23.50	12.00	15,347	1.50	.51	194.1	NA	.85	NA	.....	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp ..... N	2.38	.00	.0	2.50	2.38	5.38	2.00	3,988	1.66	.78	112.8	.4	.00	.0	.....	fiscal	12-87	522.5	12.8	31.5	82.1	1.05	128.3	2063.2	7.4	164.1	102.1	5.79	147.4
Masco Corp ..... N	26.50	.13	.5	28.38	25.50	39.25	18.75	21,196	1.60	1.00	60.0	16.1	.40	1.5	.....	fiscal	12-87	543.3	20.7	30.8	- 44.4	.23	- 43.9	2023.3	39.3	218.8	7.6	1.65	5.8
Mor-Flo Inds ..... M	5.50	- .75	- 12.0	6.25	5.50	13.25	5.50	99	.40	.24	66.7	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co ..... N	39.75	1.00	2.6	41.00	38.75	43.00	21.13	3,869	3.35	1.26	165.9	14.5	1.00	2.5	.....	fiscal	12-87	304.9	189.0	13.4	81.1	.95	50.8	719.7	79.3	37.2	55.0	2.75	26.7
Nortek Inc ..... N	8.38	- 1.38	- 14.1	9.75	8.25	14.75	5.00	4,810	3.14	1.31	139.7	NE	.10	1.2	.....	fiscal	12-87	269.9	- 6.8	- 18.1	- 100.0	(1.14)	NE	1245.8	29.4	- 6.7	- 100.0	- .43	- 100.0
Owens Corn ..... N	18.75	- 1.38	- 6.8	21.38	18.00	32.38	9.00	20,054	5.35	2.53	111.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	13.13	- .75	- 5.4	14.88	13.13	17.75	9.00	2,987	2.67	1.24	115.3	19.9	.12	.9	.....	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot ..... N	20.25	.00	.0	21.75	19.88	27.25	9.75	2,588	2.15	2.25	- 4.4	8.7	.50	2.5	.....	fiscal	12-87	106.8	30.4	7.2	- 14.3	.59	- 15.7	426.9	37.6	28.1	77.8	2.33	76.5
Potlatch Cp ..... N	30.38	- .38	- 1.2	32.88	30.00	39.25	21.00	3,805	1.42	.60	136.7	9.7	.92	3.0	.....	fiscal	12-87	252.7	3.9	24.9	23.9	.90	25.0	992.1	1.6	87.6	25.3	3.13	25.7
PPG Inds ..... N	40.25	1.25	3.2	42.63	38.50	53.50	27.50	18,997	1.59	.94	69.1	12.6	1.20	3.0	.....	fiscal	12-87	1327.6	10.6	96.5	32.4	.85	39.3	5182.6	10.6	377.1	19.2	3.19	19.9
Sherwin-Wms ..... N	26.63	- 1.25	- 4.5	29.50	26.63	37.25	20.13	9,383	2.15	.99	117.2	12.4	.64	2.4	NEW	fiscal	12-87	408.3	16.5	20.3	- 30.5	.46	- 42.5	1792.7	15.4	96.6	- 8.9	2.15	- 6.9
Stanley Works ..... N	28.63	- 1.00	- 3.4	31.75	28.50	36.63	21.25	7,867	1.81	.63	187.3	14.3	.88	3.1	.....	fiscal	12-87	458.5	79.0	26.2	11.5	.61	13.0	1763.1	28.6	86.6	9.9	2.00	7.5
Thos Inds ..... N	20.88	- .13	- .6	21.50	20.50	22.38	13.81	1,742	1.66	.89	86.5	12.7	.68b	3.3	NEW	fiscal	12-87	80.5	6.5	4.8	50.0	.47	51.6	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind ..... N	28.00	- .50	- 1.8	29.00	27.75	44.00	22.50	6,656	2.94	1.61	82.6	14.7	.12	.4	.....	fiscal	12-87	995.8	27.1	- 34.5	NE	(1.19)	NE	4336.1	62.5	55.5	18.1	1.90	- 26.1
Union Camp ..... N	33.50	.13	.4	36.00	33.00	47.63	26.00	19,643	2.66	1.06	150.9	11.8	1.16	3.5	.....	fiscal	12-87	609.8	14.0	59.0	37.9	.81	39.7	2307.6	12.8	207.5	59.7	2.83	59.9
USG Corp ..... N	36.63	- 1.50	- 3.9	39.50	36.00	55.88	23.50	37,552	7.29	4.11	77.4	9.2	1.12	3.1	NEW	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 64.5	2898.1	6.4	204.3	- 9.4	3.96	11.9
Waxman Ind ..... M	13.13	1.75	15.4	13.38	11.75	13.38	7.25	3,510	5.57	1.97	182.7	16.4	.10	.8	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser ..... N	37.63	- 1.13	- 2.9	41.50	37.13	57.50	19.00	32,059	2.35	1.18	99.2	11.8	1.50	4.0	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Complying with OSHA could prove costly

(Continued from page 1)
on them and training employees who come in contact with these materials.

The HCS also requires employers to develop a written operating procedure for the handling of hazardous substances. This places added responsibility on retailers to collect accurate information about chemicals present at stores, as well as to train employees how to use that information to protect themselves from possible danger associated with these materials.

There is, however, a possible delay in the compliance date due to a conflict between OSHA and the Office of Management and Budget (OMB).

OMB ruled last October that OSHA issued the standard in violation of procedures required by the Paperwork Reduction Act, including the requirement of employers to maintain MSDS on multi-employer worksites.

The purpose of the MSDS is to describe the substance, its potential hazards, emergency procedures and a number where additional information can be obtained. Manufacturers are expected to include MSDSs with shipments of hazardous materials. Likewise, retailers that supply contractors with hazardous materials will need to include MSDSs with the shipment.

Hazardous materials

Some of the hazardous materials that home centers deal with include paint, paint solvents and thinners, pesticides and herbicides, wood dust, wood preservatives and sealants, asphalt and asphalt sealing compounds, lubricating oils, acidic and caustic compounds for cleaning, plumbing and electrical repair materials, including solder.

Home centers are vulnerable to liability when products are returned by customers and when accidents like spillage occur with hazardous materials. In addition to the products mentioned above, lubricating materials used for repair and servicing of vehicles and equipment such as delivery trucks and forklifts are also deemed hazardous.

Denny Carlson, safety manager at The Home Depot, Atlanta, said, "We're going ahead to comply to the best of our abilities until they come up with a decision on [the delay]. Right now we are capable of providing a MSDS within 24 hours on request.

"We already have outside environmentalists to monitor us, and another consultant group in California for those stores."

With regard to having MSDSs available at each worksite, Home Depot is exploring the option of making the information available through personal computers at each store.

Carlson feels that while the exact cost has not yet been determined, "it will be significant."

Carlson is on the board of the Safety Action Council (SAC), an industry-sponsored organization that is addressing factors pertinent to OSHA regulation compliance.

California is the exception to any deadline delay, as state OSHA rules are already in effect and are generally much more stringent than federal regulations. John Russo, manager of Safety and Risk Management for HomeClub, Fullerton, Calif., said that by complying with the state OSHA regulations, he is more than complying with federal OSHA (*see other story*).

Regarding the expense associated with compliance, Russo said, "We haven't put a cost figure on it. We have a consultant on retainer year round that we pay based on the number of facilities it oversees." Russo is also on the SAC board.

Brochure provides details

"Countdown to Compliance," a brochure sponsored by 28 industry associations, suggests that though delays may occur concerning the May deadline, "The time to deal with these issues is not one week before deadline for compliance or five months later when an OSHA warning is flung on top of your desk."

Compliance of HCS, the brochure states, is essentially a task of:

- Gathering information on the chemicals in use;
- Providing the information to employees;
- Keeping records of the steps needed for compliance.

Dealers face stricter laws in California

By an NHCN staff editor

SACRAMENTO, Calif. — While the rest of the country begins putting the wheels in motion to comply with the Occupational Safety and Hazard Administration regulations that go into effect this month, employers on the West Coast will already be in compliance thanks to Preposition 65.

Proposition 65, formally known as the Safe Drinking Water and Toxic Enforcement Act of 1986, addresses chemicals that are known to cause cancer or reproductive toxicity.

Steve Book Ph.D, science advisor to the secretary of California's health and welfare agency, said it was passed into law January 1987. With Proposition 65, chemicals deemed hazardous are listed. After a 12-month grace period, retailers and manufacturers who sell, produce or distribute the materials must provide warnings to consumers and employees.

Penalties for violation are strict in California: The fine can be as much as $2,500 per day per violation. In addition to both district and city attorney's offices, private citizens can enforce the mandate through the private citizen alert program. And, if the attorney general or the city attorney does not take action within 60 days, the citizen can take the violator to court and win 25 percent of the penalty.

At this time there are 224 chemicals listed.

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Vol. 14, No. 9 May 2, 1988

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National
Home Center News ®

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The *NHCN* Top 10 for 1987

Chain	Total Sales ($ Mill.)	% Change 86-87	Store Count
1. Lowe's	2,440	+ 7	295
2. Wickes Cos.	2,150	+ 10	376
3. Payless Cashways	1,770	+ 16	195
4. The Home Depot	1,450	+ 43	75
5. Builders Square	1,400	+100	118
6. Grossman's	1,077	+ 7	258
7. 84 Lumber	821	+ 20	361
8. Channel	725	0	180
9. Hechinger	725	+ 23	79
10. HomeClub	650	+ 41	36

Source: *NHCN* research — *NHCN* chart

Lowe's remained the industry's largest chain last year. And prior to its sale of Wickes Lumber, Wickes Cos. ran the most stores. But it was the warehouse chains whose sales exploded in 1987.

Supreme Court RPM ruling disappoints industry execs

By Ariane Sains

NATIONAL REPORT — A Supreme Court ruling that would allow manufacturers to protect some retailers from price competition is likely to have little effect on home centers, retailers and suppliers state.

But they say they are nonetheless disappointed with the Court's decision.

"I think it represents a step backward," said Robert Strickland, chairman of Lowe's Cos. in North Wilkesboro, N.C., the largest home improvement chain. "Attempts to prop up prices artificially have never worked in this country."

On May 2, the Court ruled that manufacturers are not necessarily in violation of the Sherman Antitrust Act if they stop supplying discounters to protect other retailers from price competition.

(Antitrust legislation pend-

(Continued on page 83)

Lumber City plots growth as new image emerges

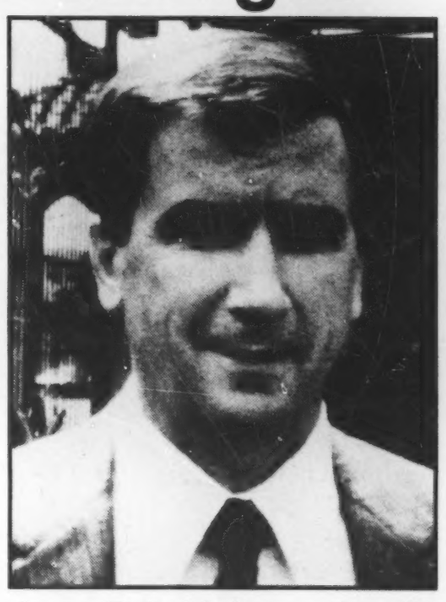
By Elizabeth Brent

VAN NUYS, Calif. — It's been two years since Jesse Ruf took over Neiman-Reed's Lumber City, a struggling small chain that had trouble with its customers, suppliers and finances.

Today, with Ruf's emphasis on profitability and people, the company has a new image and strong growth plans in the prosperous San Fernando Valley.

Sales are now growing in excess of 10 percent a year and Lumber City was scheduled to open two new replacement stores this month: a 27,000-square-foot store in Winnetka and 35,000-square-foot unit in West Hills. Both are in former supermarkets.

"We are clustering the stores for efficiency of advertising, synergism in the common market," said Ruf, who is the chain's chief executive officer. "Yet every store stands on its own."



Jesse Ruf, chief executive officer of Lumber City. NHCN photo

(Continued on page 83)

Census pegs 1987 sales growth at 15%

Data collected by *NHCN* showed that:

- The top 10 home improvement chains increased their sales 21 percent and accounted for nearly one-fifth of the $72 billion the Commerce Dept. reports for all hardware, home center and building materials outlets.
- The top 180 chains' sales expanded by 15 percent. But factoring out the huge gains achieved by the warehouse chains and Handy Andy (which grew 117 percent through acquisition), the sales growth was only 9.5 percent.
- Store count for the industry's leading 180 companies increased by less than 2 percent to 5,579 units;
- Over the past three years, the industry's top 10 companies have operated a shrinking number of stores, but have increased their share of the volume generated by the leading 180 companies to 54.2 percent from 49.9 percent in 1985.
- Lowe's remained the industry's largest chain, with $2.4 billion in sales and a 3.3 percent share of market.
- The average sales per store for the top 180 companies were $4.76 million. Among the top 25 chains, sales per store ran from $1.68 million for Carter Lumber to $19.3 million for The Home Depot.

Earn more with fewer units was retail theme for 1987

By Milford Prewitt

NATIONAL REPORT — The takeovers, leveraged buyouts and public offerings that made 1986 one of the industry's most volatile periods fizzled in 1987, as companies seemed to concentrate on earning more with less.

Last year saw many dealers furiously pursuing remodeling contractors and dipping their toe into the realm of commercial/industrial product marketing. And internally, there was far more attention being paid to shoring up operating costs, even as many dealers struggled to keep their stores manned due to employee shortages.

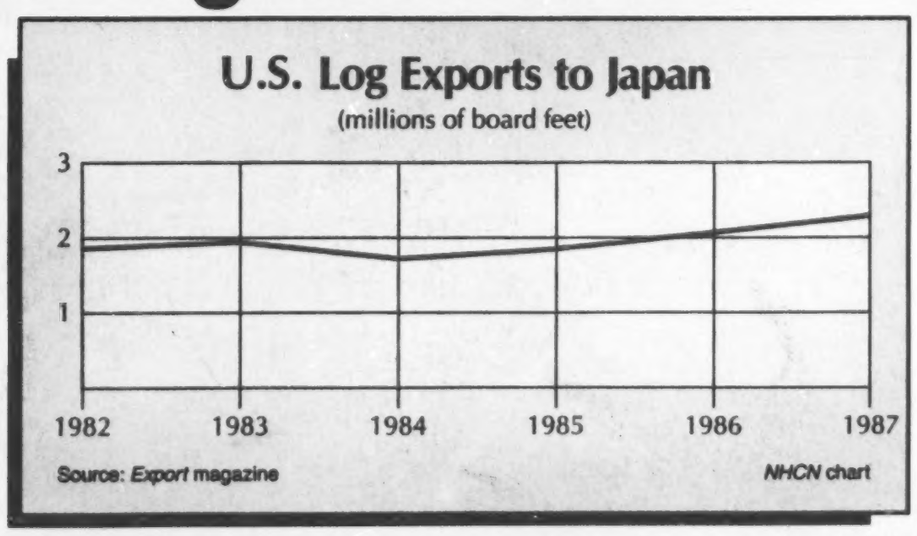
The wave of consolidations in 1986 that saw more than 400 industry stores acquired by new owners gave way to a 1987 marked by store closings and the wholesale abandonment of some markets by a number of companies.

It might be said the retail home improvement industry went from a sprinter's pace to one of a marathoner.

Of the top 10 companies, more than half—most notably Lowe's, Channel, Grossman's, Payless Cashways, 84

(Continued on page 84)

Congress considers bill to ban log exports



U.S. log shipments to Japan topped 2.3 million board feet last year, up from 2 million board feet in 1986.

By Milford Prewitt

WASHINGTON — Forest products producers are bitterly divided over a federal bill that would give states the right to ban the sale of logs to foreign countries.

The legislation, referred to as the DeFazio bill after its sponsor, Representative Peter A. DeFazio (D-Ore.), won an early round for passage when the International Trade and Economic Policy Subcommittee of the Foreign Relations Committee endorsed the measure by a 7 to 5 vote April 27. The next step will be a full debate by the Foreign Relations Committee.

Ever since the 1960s, the sale of logs to foreign lands has been illegal when the timber was cut on federally owned forest land. The state governments had a similar restriction until the U.S. Supreme Court overturned a law in 1984 and ruled that only the federal government could regulate international trade.

The DeFazio bill looms as one of the most hotly contested issues to emerge in the forest products industry since

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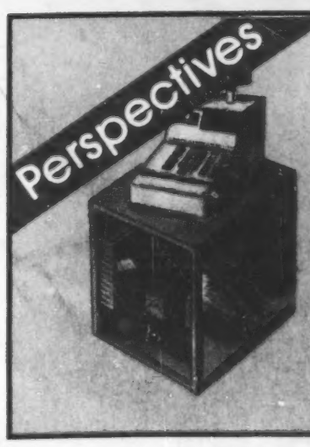
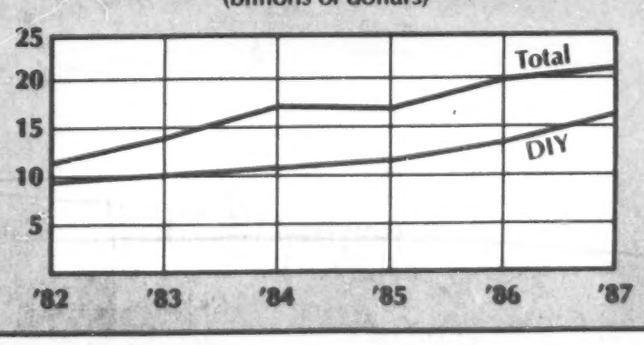
INSIDE



The *NHCN* Annual Report on the Home Center Industry Part One

This year's census issue focuses on the growth of the top 180 retail companies, the first of three issues tracking the industry's performance, with subsequent issues to be dedicated to hardlines wholesalers and commodities distributors.



NEWSBREAKS

LEVOLOR LORENTZEN FOR SALE: Levolor Lorentzen, the window blind manufacturer, may be up for sale following infighting among family members. All shares of the company are in family hands.

LOUISIANA PROPOSES AD TAX: New legislation in Louisiana proposes a 4.5 percent tax on creative services and media placement of ads. National and in-state advertising would be affected. The Ways and Means Committee is expected to consider the bill by month's end.

INDUSTRY UPDATE

Okla. firm to buy Reynolds div.

OKLAHOMA CITY — Macklanburg-Duncan has reached an agreement to acquire a division of Reynolds Metals Co. in Elizabethtown, Ky.

Manufacturing for the division, Do-It-Yourself Aluminum Products, will be moved to Oklahoma City, Macklanburg-Duncan said in a statement.

Edward A. LeBlanc, executive vp of the Consumer Products Division, said the acquisition will allow M-D to expand its product line.

The company currently manufactures 10 lines, including caulking and adhesives. Its products are distributed nationally through hardware stores, home centers and lumber yards. The Reynolds division manufactures aluminum sheets, tubing, sliding door and panel tracks, weather stripping and floor and wall trim.

Lumber exec. wins elective post

ROSS, Calif. — A San Francisco home center executive has won an elected office here after campaigning to stop the U.S. Army Corps of Engineers from building a flood control project in his home town.

Charles Goodman, president of Goodman Lumber in San Francisco, was elected to the Ross Town Council by a whopping 75 percent of the town's voters April 12 following his campaign to stop the Army from constructing a project that he said would mar the town's natural beauty.

Goodman, who founded Residents Concerned for Ross, garnered 620 votes of the 829 persons who cast ballots. The town of Ross has 2,600 residents and is 17 miles north of San Francisco in scenic Marin County.

"I just hope I have as many friends when I go on the council as I do when I come off," Goodman said.

He said he still expects to work fulltime while satisfying the responsibilities of the four-year term with night duty.

USG rejects latest takeover bid

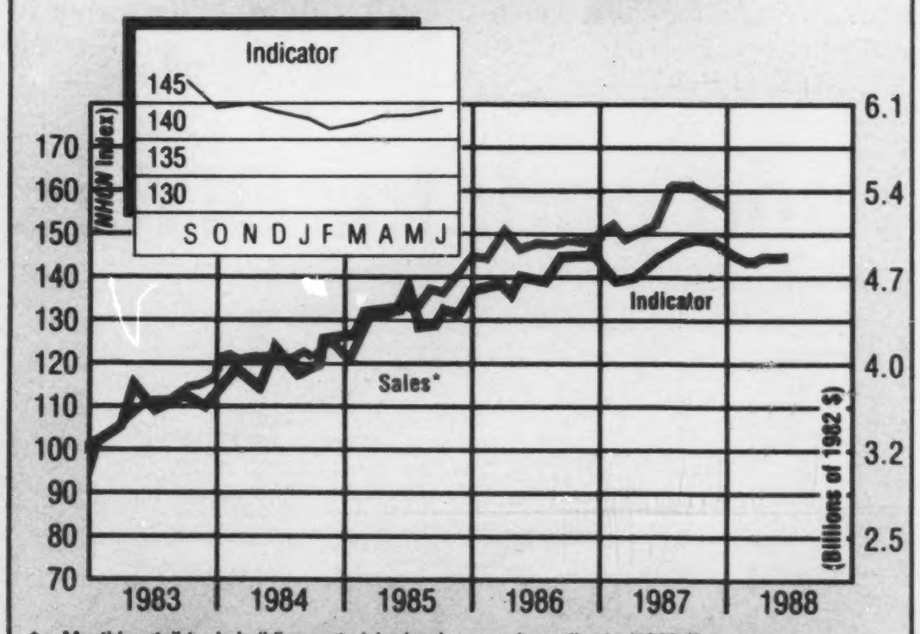
CHICAGO — USG Corporation rejected a new offer for its stock by Desert Partners L.P. of $50 per share for 37.1 million common shares and a swap of $50 million in debt and common stock for its remaining 14.7 million shares.

The group also offered to merge with USG under a plan that would pay shareholders $39 per share in cash, $9 in debt and shares representing 15 percent of the new firm.

Desert Partners made the offer to counter a recapitalization plan by USG that would sell off its Masonite and Kinkead divisions and pay shareholders $37 per share plus $5 in debt and one share in the new company totalling $2.2 billion. This plan reportedly was worth more than Desert Partners' $45 per share made before its May 4 offer.

USG also filed suit against Merrill Lynch for its role in Desert Partners' hostile takeover bid, alleging that Merrill—which worked for USG when it acquired DAP last October—used confidential information illegally.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in building material sales in the second quarter due to weakness in housing starts. Business Watch (p. 71) highlights the energy market and the West South Central states.

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Baltimore's Atlantic Mill Lumber razed in 4-day, inner harbor fire

By an NHCN staff editor

BALTIMORE — A multialarm fire that took this city's fire fighters four days to quell devastated Atlantic Mill and Lumber Co. here, a 70-year-old manufacturer/retailer.

Atlantic Lumber was one of four concerns that were completely gutted when a fire of undetermined origin began in a storage shed on the grounds of an abandoned oil refinery on the night of April 13. The fire raced out of control in the industrial and warehouse district of Baltimore's inner harbor.

Capt. Patrick J. Flynn, a spokesperson for the city fire department, said damages from the fire were estimated at $10 million, with the lumberyard accounting for $2 million of the assessment.

Four-day battle

Flynn said the seven-alarm fire required fire crews to fight the blaze for two days over three shifts and devote another two days snuffing embers once the heart of the inferno was contained.

Flynn said Atlantic Lumber, which was adjacent to the abandoned oil plant, turned into a "10-foot pile of cinders in a matter of minutes."

Authorities are still investigating the cause of the fire, Flynn said.

Yard moves to new location

Atlantic Lumber has moved to another location, but company president, Sidney Meyer, declined to talk about how the company would fare. He said in two months he would have a better picture on the fate of the operation.

Atlantic Lumber was a traditional lumberyard with an adjoining facility for manufacturing millwork.

Britain's Ward White acquires 509-unit DIY home decor chain

By an NHCN staff editor

LONDON — Ward White Group, the British corporation whose interests include the Builderama chain in Georgia and Payless DIY, England's third largest chain, has acquired A.G. Stanley Holdings plc, which operates 509 retail home improvement and decorative products units.

Deemed "a logical extension" of its 93-unit Payless home improvement chain, Stanley's stores go under the names "FADS," "Decor 8" and "Home Charm."

The acquisition of the Stanley stores in predominantly "high street" or urban locations allows Ward White greater penetration with city dwellers, as its Payless DIY units serve suburbanites for the most part.

Ward White, which already owned 3.7 percent of Stanley's stock, is purchasing all of Stanley's remaining common stock and preferred shares. The common purchase is estimated to be £103 million ($193.6 million); the preferred share transaction is said to be worth £12.8 million ($24.1 million).

Current shareholders will either be able to swap their shares for new Ward White stock, or can get a cash alternative.

In a prepared statement, Ward White said that its experience in the retail DIY market would allow it to "unlock the profit potential" of Stanley's stores, which last year produced £5.3 million ($10 million) in pretax earnings on £83.3 million ($156.6 million) in sales.

The Stanley acquisition is further proof of Ward White's aggressive expansion posture. Last December, the company purchased the 17-unit Madeley's chain for £27 million ($50.8 million), which was added to Payless DIY.

Payless last year increased its volume 56 percent to £184 million ($345.9 million), and its operating profit by 122 percent to £21.8 million ($41 million).

Ward White controls the Builderama chain in Savannah, Ga., through its Wiener Enterprises subsidiary. Officials for Payless DIY told *NHCN* in March that part of Ward White's growth strategy was "looking for any niche retailer operating in the U.S., including DIY."

Fagen's buys Fla. building materials firm

By an NHCN staff editor

PITTSBURGH — In the first step of a plan to expand in new markets, Fagen's Building Centers has acquired the building materials division of Panama Machine & Supply Co. for an undisclosed amount.

The purchase of the firm, based in Panama City, Fla., includes window and door manufacturing operations and a truss plant.

Fagen's ceo Jack Fagen said he decided to expand into Florida because "it's a growing market. And we saw this as a good opportunity." Fagen said Panama's 60 employees will be retained.

The purchase will be financed through operating cash and debt. Fagen said he will "continue to look for acquisition opportunities on the East Coast."

The acquisition of the manufacturing operations should fuel Fagen's expansion of his custom-built window service and his ceiling truss business, which began nearly two years ago.

In buying Panama, Fagen has also broadened an expansion program that began with the purchase of 11 Pittsburgh-area specialty stores a year ago. The stores included eight Color Your Worlds and three Peerless Wallpapers.

G-P, Weyerhaeuser post 1stQ gains

By an NHCN staff editor

NEW YORK — Georgia-Pacific and Weyerhaeuser reported strong first quarter performances spearheaded again, as it was through most of 1987, by strong demand for pulp and paper products.

G-P reported a net income of $106 million on sales of $2.1 billion for the three months ended March 31. In the first quarter of 1987, the company reported sales of $1.9 billion on sales of $80 million.

Weyerhaeuser reported net income of $114 million on sales of $1.8 billion. A year ago, the company made $101 million on sales of $1.6 billion.

In a press release, T. Marshall Hahn Jr., G-P's chairman and ceo, attributed the company's strong activity to the high demand for pulp and paper. He said capital improvements and refinements in manufacturing the products helped.

But Hahn said profits in the building products segment slipped in the first quarter from $119 million a year ago to $108 million currently.

George H. Weyerhaeuser, chairman and ceo, said paper and pulp segments were up nearly 60 percent over 1987. But he noted that the performance was offset by slowdowns in other segments of the company's business.

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Perspectives

Section 2

The *NHCN* Annual Report on the Home Center Industry

PART ONE: THE TOP RETAIL LEADERS

The home improvement industry has three main components: retailing, commodities distribution and hardlines wholesaling. This year's *NHCN* Annual Report of the industry aptly depicts its retail census with a cash register, as the Top 180 chains increased their volume an average of 15 percent in 1987.

Three-year trend shows an industry in state of flux 20

Warehouse chains lead the pack in per-store sales 21

Economy puts the damper on specialty-store sales 46

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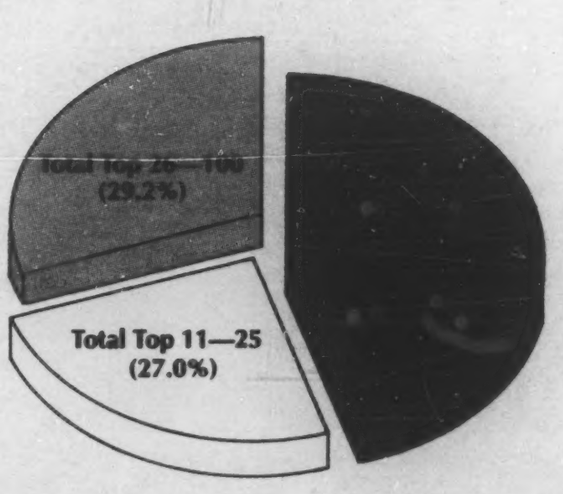
The 1987 *NHCN* Home Center Retail Leaders

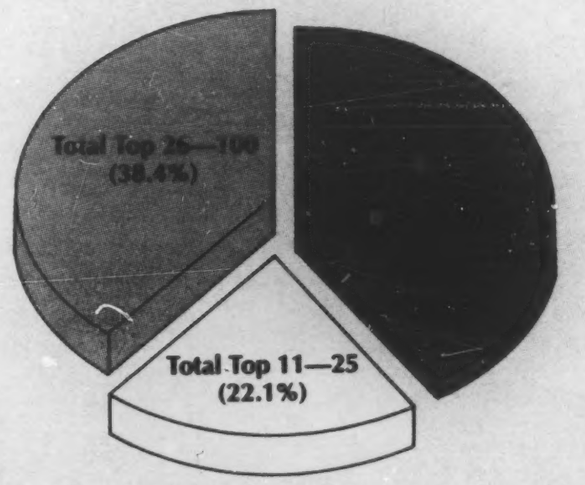
Over the past three years . . .

Percentage of Stores Run by Top 100
3,957 Total in 1985



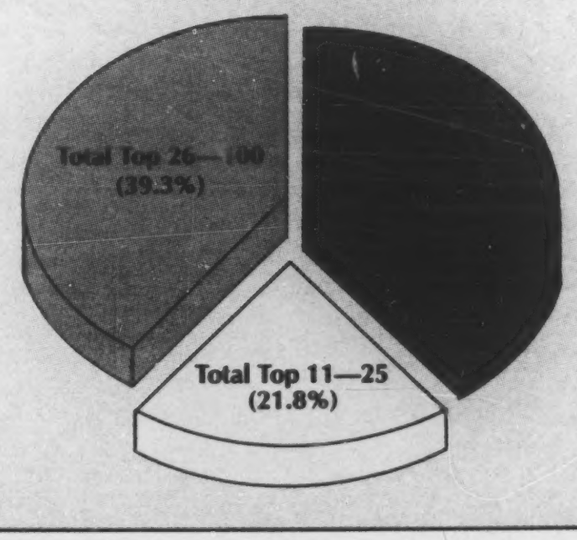
. . . the number of stores run by the Top 100 has grown . . .

Percentage of Stores Run by Top 100
4,959 Total in 1986



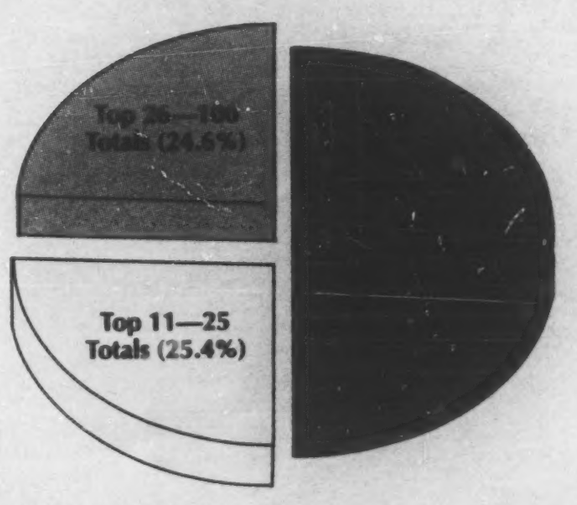
. . . though the Top 10 have a decreasing portion of the total.

Percentage of Stores Run by Top 100
5,073 Total in 1987



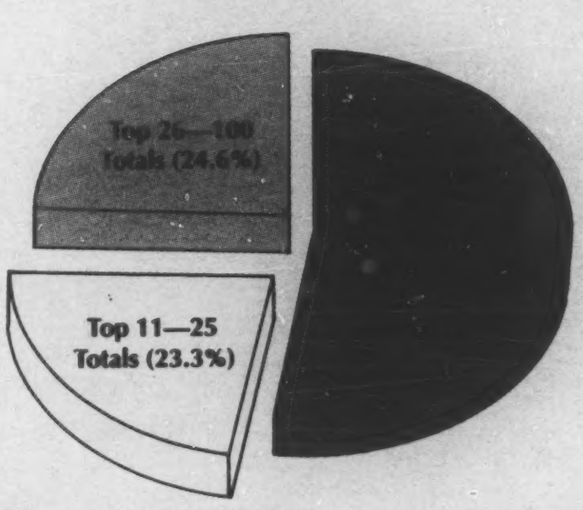
The sales pie has gotten larger since 1985 . . .

1985 Percentage of Top 100 Sales
Total ($ Billions) - 1.73



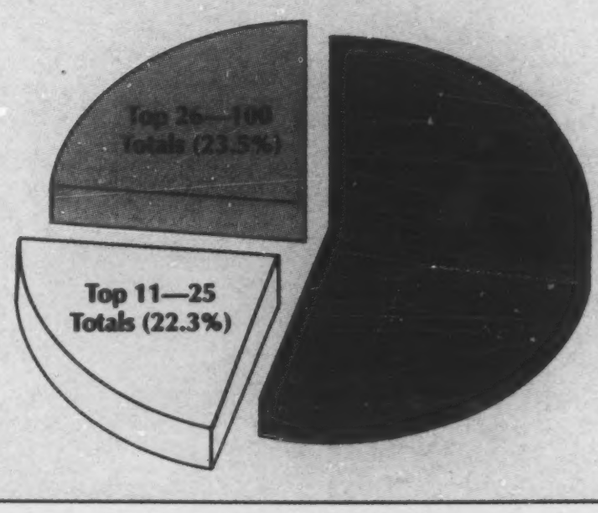
. . . and because of consolidation. . .

1986 Percentage of Top 100 Sales
Total ($ Billions) - 2.09



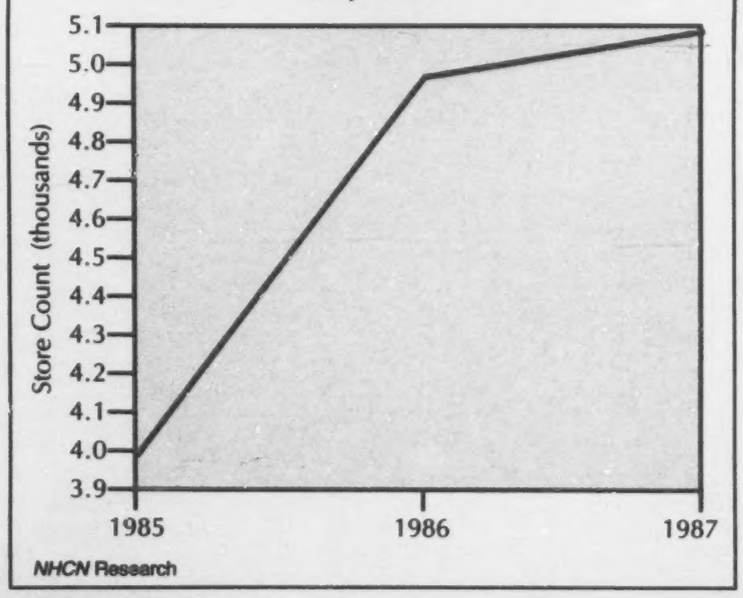
. . . the Top 10 companies control a larger slice of the pie.

1987 Percentage of Top 100 Sales
Total ($ Billions) - 2.43



The industry's store count has been leveling off . .

Increase in Total Store Count
(Top 100)



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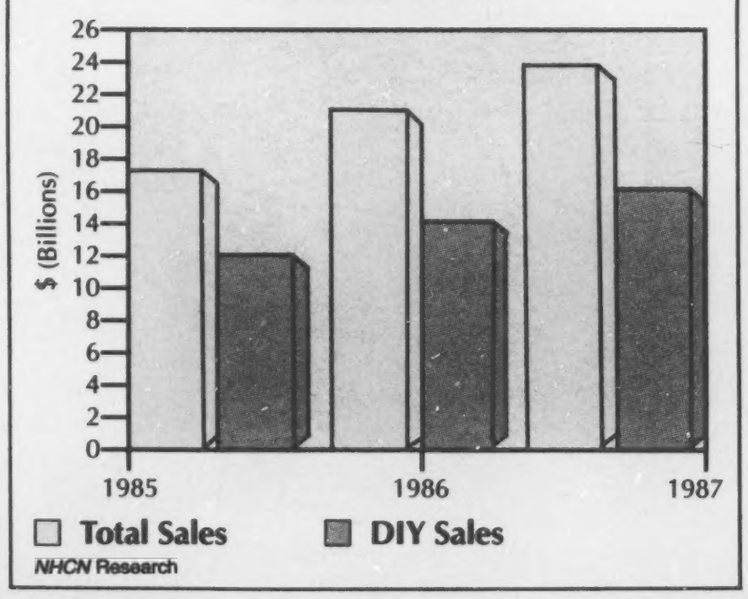
. . . but retailers have striven to generate more sales. . .

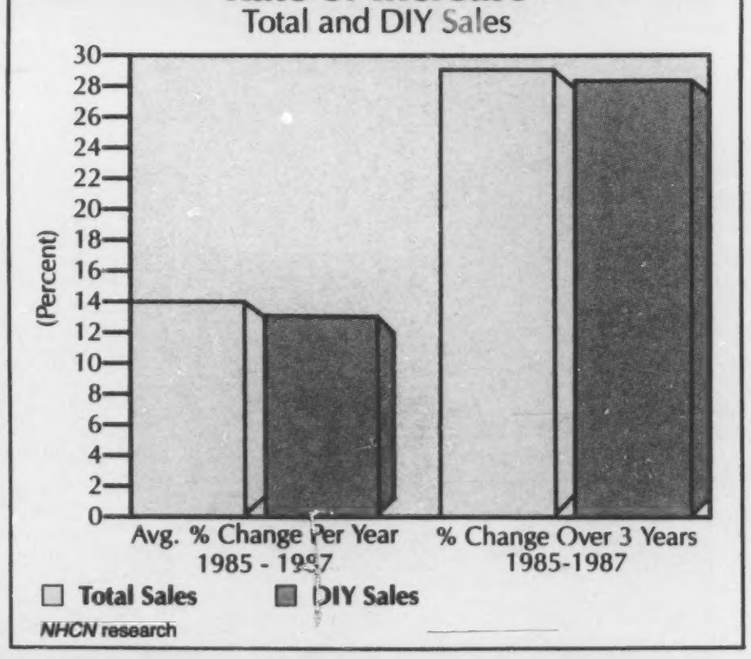
Top 100
(Total and DIY Sales)



NHCN Research

. . . by more productivity from existing units.

Rate of Increase
Total and DIY Sales



NHCN research

Three-year trend tracks home center industry in flux

By an NHCN staff editor

NATIONAL REPORT — Surrounded by colleagues at the Home Center Show two months ago, Tom Stanton paused to muse a bit about the industry.

"It's not what it was," said Stanton, senior vp-operations for Ernst Home & Nursery Centers. "It's more of an upscale industry today. We've become more sophisticated."

And looking at the numbers over the past three years, it's easy to see that the industry has changed in other ways.

There has been a wave of leveraged buyouts and mergers. Chains have moved toward larger stores, though not necessarily toward the warehouse format. The number of stockkeeping units is up, reflecting a trend toward broader merchandise assortments and an emphasis on home furnishings categories. And across the board chains are employing more people.

The number of people employed by the leading 100 retail companies grew 14.8 percent between 1985 and 1987. For the top 10 chains, the number of employees grew 13.6 percent and for the top 25 the number of people employed grew by 13.2 percent.

The top 25 chains now account for 77.5 percent of sales produced by the 100 companies tracked over three years, slightly from 75.3 percent in 1985. The top 10 retailers account for 54.2 percent of sales, compared with 49.9 percent in 1985.

At the same time, sales are increasing at all levels. Sales by the top 10 retailers were up 34 percent between 1985 and 1987; top 25 sales were up 30 percent and top 100 sales were up 29 percent.

While the number of stores has increased, the greatest growth is evi-

(Continued on page 21)

Warehouse chains lead large gains in per-store sales

By an NHCN staff editor

NATIONAL REPORT — The top 25 home center chains made dramatic gains in improving their sales per store and, to a somewhat lesser degree, sales per employee.

A breakdown of these companies shows that the average sales per store was $7.36 million. That's a 21 percent increase over the $6.1 million per store average these same chains realized in 1986.

Some of the individual performances were equally remarkable, particularly among the warehouse chains. HomeClub, for example, increased its per store sales 24 percent to $18.1 million.

The Home Depot's average per store sales growth wasn't quite as dramatic—14 percent to $19.3 million—but that average is the highest among the top 25 chains and one of the highest in the industry.

In fact, only a few chains saw their per store sales performance drop last year. Diamond Lumber, which closed 23 stores, declined 5 percent to an average of $3.7 million. Hechinger, which saw a 30 percent increase in its store count to 79 units last year, also witnessed its sales per store decline 5 percent to $9.1 million.

Despite its problems in the Oil Patch, Payless Cashways still got good performance from its stores, whose average sales rose 8 percent to crack the $9 million barrier. (Payless, no doubt, benefits from the high per store averages generated by its Knox Lumber and Somerville Lumber chain, the latter being the best performing operator in the industry, with more than $700 per square foot.)

One of the more noteworthy achievements was accomplished by Handy Andy Home Improvement Centers. Not only did this chain have the highest overall sales increase among the 180 companies listed this year, it was also able to bump up its per store sales average, albeit marginally, to $4.16 million, despite having added 20 stores through acquisition.

The levels of sales chains got from their stores is a direct result in some of the cost cutting efficiencies they've enacted over the past several months, one of those being trims in their labor forces.

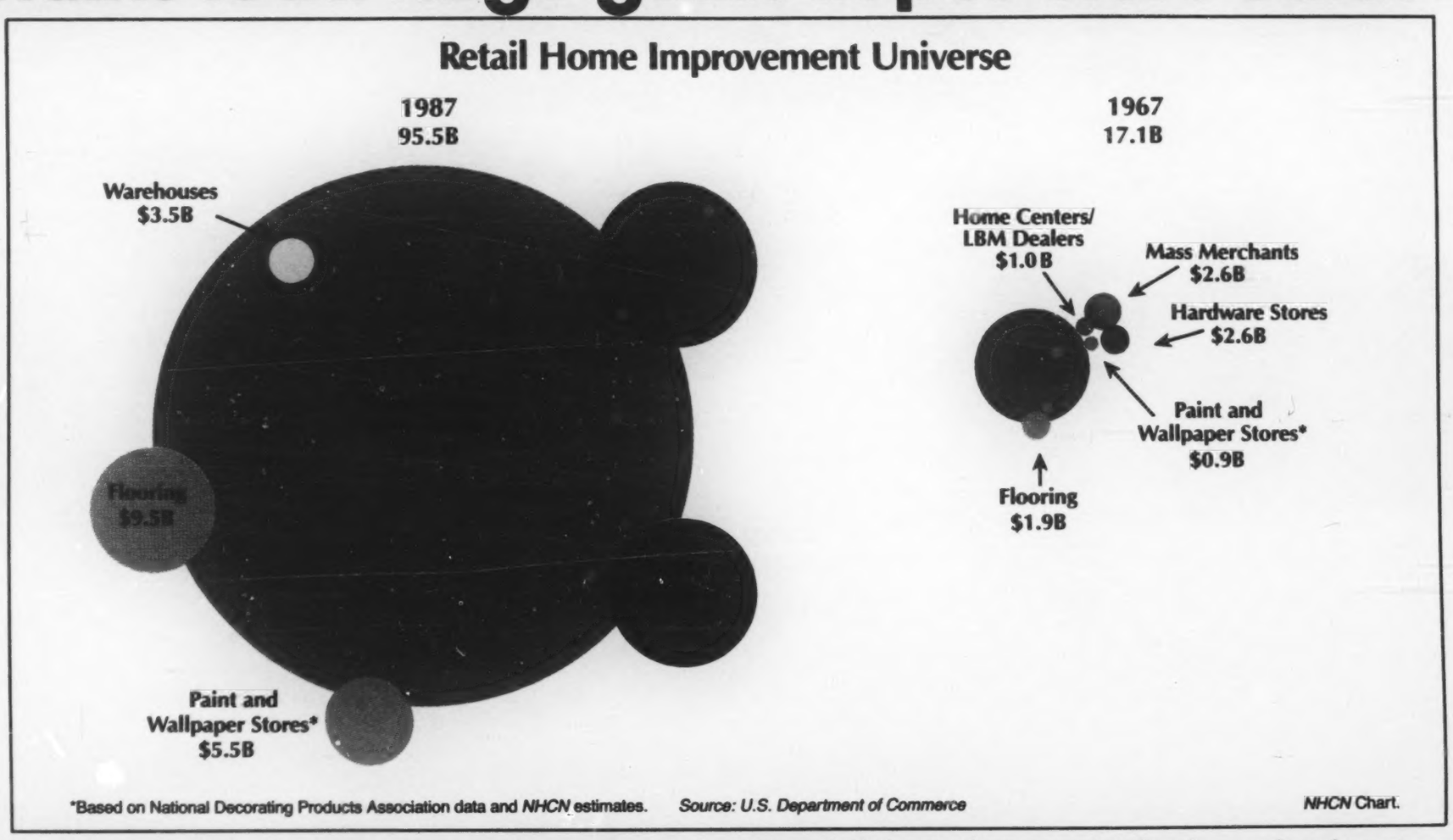
Consequently, the top 25 companies were able to squeeze more productivity out of their employees, whether they be in the stores or the headquarters. However, it didn't always follow that stores that cut back on employees were the ones that got the most from their stores.

Excluding Handy Andy, which wasn't among the top 25 chains last year, the average sales per employee per chain for this group was $133,883, about 2 percent more than the $131,452 generated by the employees of the same 24 chains in 1986.

The amount of sales companies got out of each employee—statistically, if nothing else—swung wildly among the top 25. HomeClub was the highest, with its 2,900 employees producing $218,966 per person. Each of Erb Lumber's employees was responsible for $205,714 in sales.

There were more than a few of the top 25 chains whose sales per employee actually dropped, even though their sales per store may have risen last year. Take 84 Lumber: Its employee productivity declined by more than $60,000 per person to $182,444, even though the company was still getting pretty good sales per store.

Conversely, despite its rapid store growth, and the difficulties of finding qualified people to man its units, Builders Square was able to improve its per-employee sales to more than $57,000.



*Based on National Decorating Products Association data and *NHCN* estimates. *Source: U.S. Department of Commerce* *NHCN* Chart.

Einstein proved that universes constantly expand, and the retail home improvement universe has been no different, growing by 459 percent over the past 20 years. And, as the chart shows, the bulk of that growth has come from the revenues generated by home centers and building materials outlets.

PRODUCTIVITY FOR THE TOP 25 CHAINS

Company	Sales per square foot ($)	Sales per store (mil. $)	Sales per employee ($)
Lowe's	267	8.27	165,300
Wickes	296	5.72	127,219
Payless Cashways	336	9.08	118,000
The Home Depot	242	19.33	179,012
Builders Square	148	11.86	127,273
Grossman's	139	4.17	139,870
84 Lumber	227	2.27	182,444
Channel Home Centers	90	4.03	76,316
Hechinger	153	9.18	72,500
HomeClub	181	18.06	130,000
Sutherland	348	7.65	218,966
Menard's	222	15.53	178,788
Scotty's	76	3.74	83,770
Rickel	226	9.51	62,133
Pay 'N Pak	132	4.29	186,522
Handy Andy	114	7.39	81,250
Lanoga	363	2.54	161,500
Pergament Home Centers	188	7.50	100,000
Central Hardware	132	8.57	93,750
Erb Lumber	569	6.55	205,714
West Building Materials	99	4.16	88,438
Ernst Home & Nursery	98	3.71	86,667
Carter-Jones Lumber	207	1.66	121,000
Diamond Lumber	507	3.69	155,333
Wolohan Lumber	237	5.45	152,667

Source: Company records, *NHCN* research *NHCN* chart

Study of three-year trends shows an industry in flux

(Continued from page 20)

dent among smaller retailers. The number of stores in the retail market grew 19.5 percent between 1985 and 1987 for the top 100 retailers, but only 3.6 percent for the top 25 and a minuscule 0.8 percent for the top 10.

In all three categories, more growth occurred during the three years of 1985 to 1986 than between 1986 and 1987.

Fewer but larger units

But if large retailers are adding fewer units, the new stores are getting larger.

Total square footage for stores owned by the top 10 retailers in this survey averaged 48,230 square feet in 1987, up 35.7 percent from 31,000 square feet in 1985. In contrast, for the top 100 chains, square footage averaged 24,591 square feet, up only 2.4 percent. Average square footage for the top 100 was down 1.6 percent between 1986 and 1987.

Largest chains' share shrinking

The biggest retailers now own a smaller chunk of the store pie as measured among the top 100. For the top 10 chains, ownership was down from 43.8 percent in 1985 to 38.9 percent in 1987. For the top 25 chains, ownership was down from 70.8 percent in 1985 to 60.7 percent in 1987 *(see charts on page 20)*.

Retailers in the top 26 to 100 chains made the biggest gain, growing from a 29.2 percent ownership of all stores in 1985 to a 39.3 percent ownership in 1987. Meanwhile, the overall pie got larger, with the number of stores operated by the top 100 companies increased, from 3,957 in 1985 to 5,073 in 1987.

Largest chains drive engine of home center industry growth

By John Caulfield

NATIONAL REPORT — The sales growth in 1987 among home improvement dealers was generated mostly by the industry's largest chains, as smaller companies fought to keep their heads above water and manned the barricades against the invasions of larger operators into their markets.

Based on information provided by company executives (and in a handful of cases, *NHCN* estimates), sales from the industry's 180 largest retailers jumped 15 percent last year to $26.53 billion.

That's 36.8 percent of the $72 billion the U.S. Commerce Department reports building materials and hardware stores did in 1987, compared to $66.4 billon in 1986. (In that year, the top 180 companies made up 36 percent of the total market.)

Perhaps the most significant aspect of that growth was that it came from greater attention being given by deal-

(Continued on page 74)

Perspectives

annual census/retailers

Sales Per Employee Per Chain

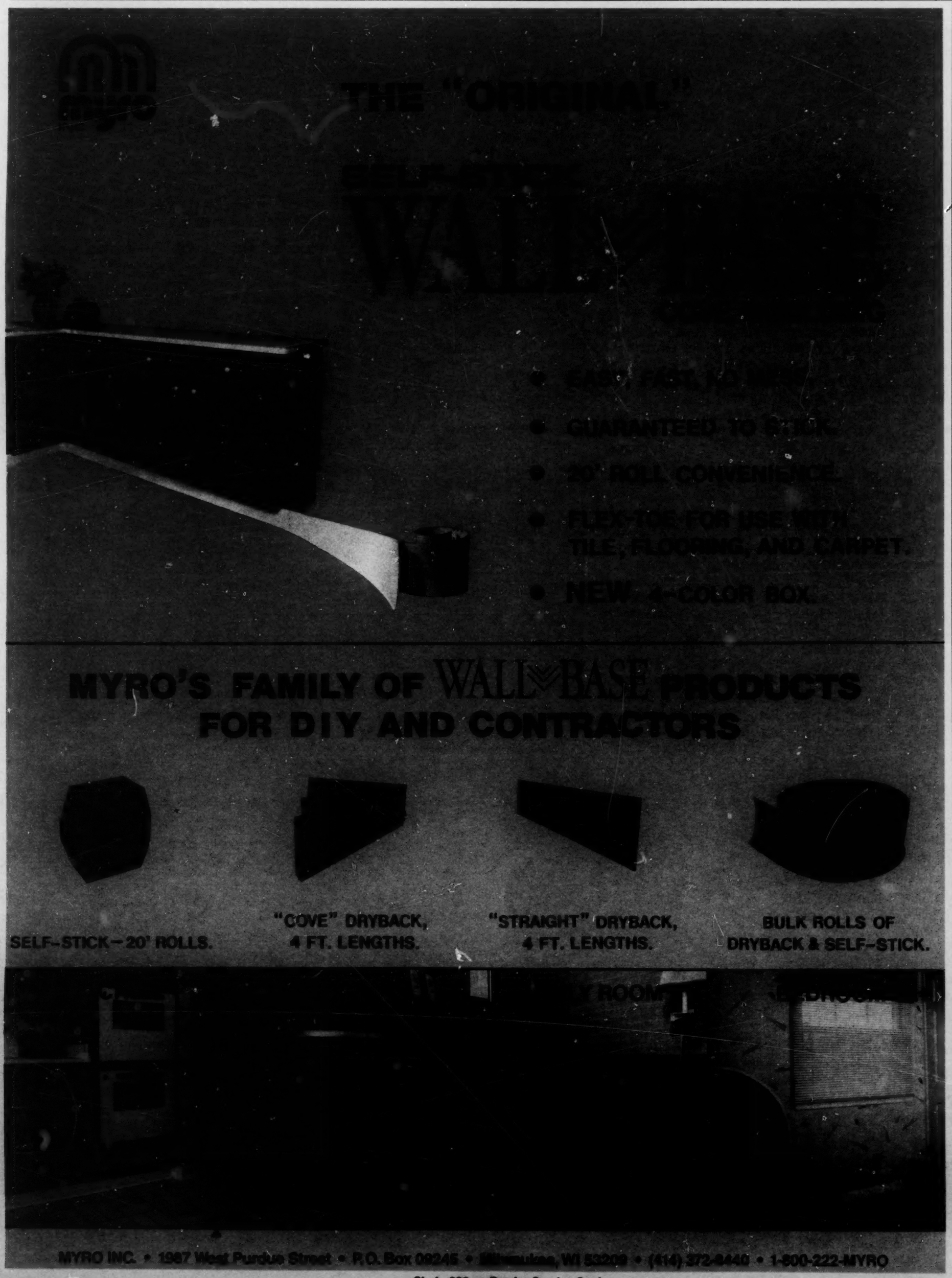
Company	1987 Sales $ Mil.	Employees	Sales Per Employee
Lowe's Cos.	$2,440	14,761	$165,300
Wickes Cos.	2,150	16,900	127,219
Payless Cashways	1,770	15,000	118,000
The Home Depot	1,450	8,100	179,012
Builders Square	1,400	11,000	127,273
Grossman's	1,077	7,700	139,870
84 Lumber	821	4,500	182,444
Channel Home Centers	725	9,500	76,316
Hechinger	725	10,000	72,500
HomeClub	650	5,000	130,000
Sutherland	635	2,900	218,966
Menard's	590	3,300	178,788

Source: *NHCN* research

Top Gainers in DIY Volume

Company	$ Mill. In DIY Sales 1986	1987	$ Mill. Net Gain DIY Sale
Builders Square, San Antonio, Texas	455	980	525
The Home Depot, Atlanta.	859	1,233	373
Payless Cashways, Kansas City, Mo.	1,375	1,646	271
Wickes Cos.,Santa Monica, Calif.	1,170	1,376	206
HomeClub, Fullerton, Calif.	460	650	190
Handy Andy, Schaumburg, Ill.	147	319	172
Hechinger, Landover, Md.	588	725	137
Lowe's Cos., North Wilkesboro, N.C.	1,256	1,391	135
Menard's, Eau Claire, Wis.	383	502	119
Grossman's, Braintree, Mass.	806	862	56
Rickel, South Plainfield, N.J.	416	466	50

Source: *NHCN* research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Methodology used for 1987's retailers census

By an NHCN staff editor

This year's annual census has been expanded to 180 companies to better reflect the impact smaller companies and independents have in this industry.

The numbers for sales, square footage, stockkeeping units and employees were obtained from officials of the respective companies, usually the vp-finance, chief financial officer or, more commonly, the company's president. Sales were rounded to the nearest million dollars. Store area was rounded to the nearest square foot. Percentages were rounded to the nearest whole number.

Ranking criteria

Rankings were made according to total sales. In cases where two or more chains had the same sales, a secondary criterion—number of stores—was used.

Rankings were made according to total sales. In cases where two or more chains had the same sales, a secondary criterion—number of stores— was used.

Numbers indicating averages at the bottom of the chart of the Top 180 have been calculated to give equal weight to the companies indicated.

There are about 20 companies on the chart whose officials declined to reveal sales data. These are indicated by an "E" meaning that the figures represent estimates by *NHCN* staff members, based on knowledge of that company and how well competitors in its stores' markets performed. *NHCN*, in devising these calculations, attempted to be as conservative as possible.

Some 1986 data revised

It should also be pointed out that several chains asked that data on their chain printed in 1986 be revised to more accurately reflect what the company's sales were, or how big its stores or workforce were. This will account for any discrepancy readers familiar with last year's list might spot.

In virtually all cases, sales figures are for calendar-year periods, worked out by the individual companies. In the case of a chain like Scotty's, for instance, whose year ends in July, the sales figure printed in this year's chart reflects the chain's sales for the January to January time frame.

The subsidiary charts on productivity and general sales information were gleaned from records *NHCN* has been culling over the past three years on computer disk.

1987 Retail Home Center Leaders

Rank 1986	Rank 1987	Company	$ Mil. Sales 1986	$ Mil. Sales 1987	% Chg. 1986-1987	% DIY 1986	% DIY 1987	Number of stores 1986	Number of stores 1987	Number of stores 1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Avg. Acreage Per Store	Employees 1987
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	2,283	**2,440**	7	55	**57**	300	**295**	302	20,000	31,000	NA	14,761
2	2	**Wickes Cos.,** Santa Monica, Calif.[1e]	1,950	**2,150**	10	60	**64**	397	**376**	NA	10,000	19,300	5	16,900
3	3	**Payless Cashways,** Kansas City, Mo.[2]	1,528	**1,770**	16	90	**93**	181	**195**	208	15,000	27,000	7	15,000
4	4	**The Home Depot,** Atlanta	1,011	**1,450**	43	85	**85**	61	**75**	96	25,000	80,000	NA	8,100
7	5	**Builders Square,** San Antonio, Tex.	700	**1,400**	100	65	**70**	87	**118**	140	24,000	80,000	NA	11,000
5	6	**Grossman's,** Braintree, Mass.	1,007	**1,077**	7	80	**80**	272	**258**	NA	11,000	30,000	4	7,700
8	7	**84 Lumber,** Eighty-Four, Pa.	683	**821**	20	60	**20**	373	**361**	369	7,500	10,000	3	4,500
6	8	**Channel Home Centers,** Whippany, N.J.	725	**725**	0	75	**75**	201	**180**	170	25,000	45,000	NA	9,500
10	9	**Hechinger,** Landover, Md.[3]	588	**725**	23	100	**100**	61	**79**	86	40,000	60,000	NA	10,000
13	10	**HomeClub,** Fullerton, Calif.[e]	460	**650**	41	100	**100**	28	**36**	48	12,500	100,000	NA	5,000
9	11	**Sutherland,** Kansas City, Mo.[e]	605	**635**	5	80	**80**	86	**83**	NA	14,000	22,000	NA	2,900
15	12	**Menard's,** Eau Claire, Wis.	450	**590**	31	85	**85**	34	**38**	NA	50,000	70,000	NA	3,300
11	13	**Scotty's,** Winter Haven, Fla.	507	**528**	4	67	**67**	130	**141**	156	16,000	49,000	6	6,303
12	14	**Rickel,** South Plainfield, N.J.[4e]	416	**466**	12	100	**100**	45	**49**	52	28,000	42,000	5	7,500
14	15	**Pay 'N Pak,** Kent, Wash.[5]	398	**429**	8	100	**100**	107	**100**	106	15,000	32,450	NA	2,300
29	16	**Handy Andy,** Schaumburg, Ill.[6e]	150	**325**	117	98	**98**	24	**44**	NA	25,000	65,000	NA	4,000
17	17	**Lanoga,** Redmond, Wash.	322	**323**	0	50	**50**	135	**127**	127	16,000	47,000	4	2,000
20	18	**Pergament Home Centers,** Melville, N.Y.	260	**300**	15	100	**100**	42	**40**	40	40,000	40,000	NA	3,000
19	19	**Central Hardware,** Bridgeton, Mo.	270	**300**	11	100	**100**	31	**35**	NA	40,000	65,000	7	3,200
22	20	**Erb Lumber,** Birmingham, Mich.[7]	249	**288**	16	50	**50**	42	**44**	NA	10,000	11,500	6	1,400
20	21	**West Building Materials,** Atlanta[e]	260	**283**	9	50	**50**	64	**68**	71	18,000	42,000	7	3,200
18	22	**Ernst Home & Nursery,** Seattle	250	**260**	4	100	**100**	73	**70**	75	25,000	38,000	NA	3,000
23	23	**Carter-Jones Lumber,** Kent, Ohio	210	**242**	15	55	**55**	140	**146**	NA	8,000	8,000	4	2,000
16	24	**Diamond Lumber,** Dallas[8]	338	**233**	(31)	20	**20**	86	**63**	64	8,500	7,300	4	1,500
24	25	**Wolohan Lumber,** Saginaw, Mich.	194	**229**	18	53	**51**	39	**42**	NA	8,000	23,000	NA	1,500
27	26	**Gerrity Building Centers,** Newton Falls, Mass.	171	**194**	13	10	**15**	16	**18**	19	12,000	4,500	10	721
25	27	**McCoy's,** San Marcos, Tex.	191	**190**	(1)	70	**70**	72	**80**	86	8,000	15,000	4	1,000
31	28	**National Lumber,** Fountain Valley, Calif.	150	**159**	6	100	**100**	18	**20**	22	24,000	60,000	7	1,300
33	29	**Mr. Goodbuys,** Philadelphia	100	**138**	38	95	**95**	12	**13**	17	40,000	65,000	2	1,800
38	30	**Terry Companies,** Tarzana, Calif.	100	**128**	28	10	**8**	13	**13**	14	10,000	6,000	3	520
—	31	**Agway,** Dewitt, N.Y.[9]	120	**120**	0	NA	**NA**	700	**700**	700	6,500	5,000	2	8,000
44	32	**Boise Cascade,** Boise, Idaho[10]	90	**120**	33	20	**25**	18	**18**	NA	10,000	10,000	5	650
35	33	**Dixiline,** San Diego, Calif.	105	**115**	10	40	**53**	5	**9**	10	25,000	20,000	3	900
38	34	**Copeland Lumber Yards,** Portland, Ore.	100	**110**	10	40	**40**	75	**75**	75	6,000	5,000	NA	700
37	35	**Foxworth-Galbraith,** Dallas	115	**110**	(4)	54	**58**	49	**51**	NA	15,000	18,000	5	1,025
35	36	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	105	**110**	5	70	**75**	34	**34**	37	15,000	12,000	NA	1,000
41	37	**Meeks Building Centers,** Springfield, Mo.	94	**110**	17	40	**40**	23	**24**	NA	13,000	15,000	NA	500
42	38	**Strober Brothers,** Brooklyn, N.Y.	92	**102**	11	5	**5**	9	**9**	12	15,000	15,000	3	480
31	39	**O'Malley's,** Phoenix	129	**101**	(22)	30	**30**	16	**13**	13	20,000	25,000	1	740
38	40	**Edward Hines Lumber,** Chicago[e]	100	**100**	0	40	**40**	24	**24**	24	8,000	9,000	NA	800
—	41	**The Andersons,** Maumee, Ohio[11]	80	**100**	25	—	**34**	5	**6**	NA	50,000	150,000	NA	1,400
53	42	**P. F. O'Connor,** Braintree, Mass.	74	**93**	26	60	**60**	9	**10**	10	11,000	10,000	10	575
46	43	**Lampert Lumber,** St. Paul, Minn.	85	**91**	7	65	**70**	45	**44**	NA	6,000	9,000	NA	650
50	44	**Westlake Hardware,** Lenexa, Kan.[12]	80	**90**	13	91	**92**	38	**46**	NA	35,000	22,000	NA	1,100
43	45	**Hill-Behan Lumber,** St. Louis	92	**90**	(2)	49	**50**	34	**34**	NA	13,000	12,000	NA	750
48	46	**Anderson Lumber,** Ogden, Utah	84	**90**	7	30	**30**	23	**22**	24	15,000	6,000	4	550
46	47	**ACO,** Farmington Hills, Mich.	85	**88**	4	85	**85**	48	**64**	72	20,000	14,000	NA	1,200
50	48	**Alexander Lumber,** Aurora, Ill.	80	**85**	6	25	**30**	53	**53**	NA	10,000	5,000	4	380
52	49	**Valu Home Centers,** Buffalo, N.Y.[e]	76	**81**	7	100	**100**	25	**25**	27	15,000	27,000	5	750
55	50	**Wolf Organization,** York, Pa.	72	**80**	11	35	**40**	26	**28**	30	3,000	2,000	3	200
56	51	**Williams Brothers,** Atlanta	70	**80**	14	30	**35**	9	**9**	10	16,000	12,000	8	500
59	52	**Stambaugh-Thompson,** Youngstown, Ohio	69	**78**	13	100	**100**	20	**20**	20	20,000	27,500	2	1,200
60	53	**A. C. Houston Lumber,** Wichita, Kan.	72	**77**	7	15	**12**	11	**9**	9	14,000	17,000	NA	525
—	54	**Lone Star Hardware,** San Antonio, Tex.[13]	70	**75**	7	100	**100**	0	**28**	NA	32,000	35,000	NA	800
56	55	**Seacoast/Pelican Building Centers,** Conway, S.C.	68	**75**	10	22	**22**	11	**11**	11	20,000	15,000	NA	500
56	56	**Courtesy Home Centers,** Mt. Prospect, Ill.	70	**75**	7	100	**100**	6	**6**	NA	35,000	50,000	NA	910
53	57	**Scherer Brothers,** Minneapolis, Minn.	74	**75**	1	10	**10**	3	**3**	NA	8,000	3,000	3	275
69	58	**Seigle's Home & Building Centers,** Elgin, Ill.	57	**74**	30	35	**35**	6	**6**	8	24,000	27,000	NA	470
64	59	**Aubuchon Hardware,** Westminster, Mass.	62	**73**	18	100	**90**	134	**135**	138	8,500	4,000	1	750
63	60	**Brown-Graves,** Akron, Ohio	64	**71**	11	20	**45**	5	**5**	6	10,000	10,000	NA	370
60	61	**Busy Beaver,** Pittsburgh[e]	65	**70**	8	95	**95**	11	**14**	NA	13,000	20,000	NA	425
72	62	**National Home Center,** Springdale, Ark.	56	**70**	25	50	**45**	4	**6**	6	20,000	42,000	9	500
69	63	**General Building Products,** Medford, N.Y.	57	**68**	19	38	**40**	4	**7**	10	12,000	6,000	5	311
79	64	**Church's Lumber,** Utica, Mich.	58	**67**	16	75	**70**	15	**16**	NA	12,500	20,000	NA	500
—	65	**Western Lumber,** National City, Calif.[e]	60	**67**	12	50	**50**	11	**10**	NA	8,000	7,500	5	500
68	66	**Cox Lumber,** St. Petersburg, Fla.	58	**66**	14	22	**22**	13	**13**	13	8,000	9,000	5	600
65	67	**Chase-Pitkin,** Rochester, N.Y.[e]	60	**66**	10	93	**95**	11	**11**	12	30,000	45,000	NA	800
65	68	**Eclipse Industries,** St. Louis[e]	60	**66**	10	95	**98**	9	**8**	NA	20,000	50,000	NA	350
73	69	**Home Quarters Warehouse,** Virginia Beach, Va.[14]	55	**65**	18	100	**100**	6	**9**	NA	25,000	80,000	NA	800
60	70	**Mack Industries,** Hollywood, Fla.[e]	65	**65**	0	20	**20**	4	**4**	0	9,000	20,000	NA	530
94	71	**Fagen's,** Verona, Pa.	42	**63**	50	35	**25**	12	**14**	17	10,000	8,000	4	400

1987 Retail Home Center Leaders

Rank 1986	Rank 1987	Company	$ Mil. Sales 1986	$ Mil. Sales 1987	% Chg. 1986-1987	% DIY 1986	% DIY 1987	Number of stores 1986	Number of stores 1987	Number of stores 1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Avg. Acreage Per Store	Employees 1987
69	72	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	57	**60**	5	95	**95**	10	**10**	12	22,000	34,000	3	1,000
89	73	**Hancock Co.,** Casco, Me.	45	**60**	33	46	**46**	8	**8**	8	15,000	4,000	3	150
105	74	**Triangle Building Centers,** Quakertown, Pa.	36	**60**	67	76	**75**	4	**5**	8	20,000	40,000	8	500
73	75	**Parr Lumber,** Aloha, Ore.	55	**58**	5	16	**16**	9	**9**	9	15,000	4,000	6	250
85	76	**Curtis Lumber,** Ballston Spa, N.Y.	49	**58**	18	40	**45**	7	**8**	9	13,000	14,000	NA	260
75	77	**East Coast Lumber,** East Hampstead, N.H.	53	**58**	9	13	**16**	3	**3**	3	15,000	5,000	6	250
92	78	**Haddonfield Lumber,** Haddonfield, N.J.	43	**55**	28	8	**10**	6	**6**	6	8,000	3,000	NA	230
80	79	**Ganahl Lumber,** Anaheim, Calif.	50	**55**	10	11	**11**	3	**3**	NA	14,000	9,000	8	425
78	80	**Bellevue Builders Supply,** Schenectady, N.Y.	50	**55**	10	34	**34**	1	**1**	1	15,000	22,000	NA	235
—	81	**Henry Bacon Building Materials,** Bellevue, Wash.[e]	47	**53**	13	50	**55**	5	**6**	NA	25,000	16,000	4	NA
76	82	**Goodman's Lumber,** San Francisco	51	**53**	4	100	**100**	4	**4**	4	35,000	50,000	NA	220
88	83	**The Paty Co.,** Piney Flats, Tenn.	46	**52**	13	55	**55**	6	**6**	7	13,000	20,000	5	450
80	84	**M. G. Building Materials,** San Antonio, Tex.	50	**50**	0	50	**50**	4	**4**	NA	13,000	10,000	36	100
89	85	**General Building Supply,** East Hartford, Conn.[15]	45	**50**	11	25	**20**	3	**4**	NA	12,000	17,000	8	145
80	86	**Stevenson Lumber,** Stevenson, Conn.	50	**50**	0	10	**10**	1	**1**	2	7,000	4,000	4	235
85	87	**Mid-Cape Home Centers,** Orleans, Mass.	49	**49**	0	25	**25**	8	**7**	7	17,000	12,000	4	265
87	88	**Lezzer Lumber,** Curwensville, Pa.	48	**48**	0	50	**50**	6	**6**	6	14,000	18,000	4	194
105	89	**National Hardgoods Dist.,** Stoughton, Mass.	36	**46**	28	100	**100**	27	**31**	35	27,500	16,000	NA	566
—	90	**Yardbirds of California,** Petaluma, Calif.	39	**46**	18	98	**98**	6	**6**	6	15,000	40,000	4	270
94	91	**Nassau Suffolk Lumber,** Hauppauge, N.Y.	42	**45**	7	30	**30**	6	**6**	6	10,000	3,000	3	235
94	92	**J. T.'s Home Centers,** Middletown, R.I.	42	**45**	7	35	**30**	5	**4**	4	15,000	15,000	5	275
80	93	**Star Lumber,** Wichita, Kan.	45	**45**	0	50	**47**	3	**3**	3	35,000	30,000	6	420
103	94	**Lampert Yards,** St. Paul, Minn.	39	**44**	13	46	**45**	29	**29**	NA	35,000	4,000	NA	210
101	95	**Woodbury and Sons,** Glens Falls, N.Y.	38	**44**	16	43	**50**	8	**8**	NA	12,000	9,000	NA	300
98	96	**Causeway Lumber,** Ft. Lauderdale, Fla.	41	**44**	7	12	**18**	3	**3**	NA	8,000	6,000	10	326
1[illegible]9	97	**Fairfield Lumber,** Fairfield, Conn.	27	**42**	56	6	**6**	2	**3**	3	15,000	5,000	3	160
—	98	**National Lumber,** Newton, Mass.	30	**40**	33	10	**10**	2	**3**	4	10,000	1,500	3	70
107	99	**Great Plains Supply,** St. Paul, Minn.	35	**39**	11	30	**30**	35	**34**	NA	10,000	4,000	5	250
114	100	**Standard Supply & Lumber,** Grand Rapids, Mich.	32	**39**	22	25	**25**	11	**12**	NA	12,500	5,000	6	155
112	101	**M. L. Claster & Sons,** Bellefonte, Pa.	33	**39**	18	50	**50**	11	**11**	11	7,000	7,500	3	260
103	102	**Rigg's Supply,** Kennett, Mo.[e]	37	**39**	5	75	**60**	8	**8**	8	9,000	20,000	4	145
111	103	**Masten Lumber,** Milford, Del.[e]	34	**39**	15	30	**30**	7	**7**	9	15,000	14,500	7	210
101	104	**Plywood Minnesota,** Minneapolis, Minn.	38	**38**	0	95	**95**	11	**12**	12	6,000	25,000	3	350
107	105	**Ply-Marts,** Norcross, Ga.	35	**37**	6	11	**15**	3	**4**	4	6,600	2,000	7	190
141	106	**Moser Lumber,** Naperville, Ill.	33	**37**	12	22	**22**	2	**2**	2	24,000	25,000	NA	225
100	107	**Lester Group,** Martinsville, Va.	39	**36**	(8)	35	**35**	5	**5**	NA	6,500	10,250	NA	175
118	108	**City Mill,** Honolulu	31	**36**	16	91	**91**	5	**5**	5	21,000	45,000	NA	325
—	109	**LaValley Building Supply,** Newport, N.H.	25	**36**	44	40	**40**	4	**4**	4	30,000	8,000	NA	165
—	110	**Builders General Supply,** Cranford, N.J.	30	**35**	17	15	**15**	4	**4**	4	3,000	2,500	5	130
—	111	**William M. Young,** Wilmington, Del.	25	**35**	40	10	**10**	1	**1**	1	NA	20,000	12	65
—	112	**Sinclair Lumber,** Laurinsburg, N.C.	34	**34**	0	12	**12**	8	**8**	8	14,000	13,000	6	300
—	113	**Fingerle Lumber,** Ann Arbor, Mich.	31	**34**	10	25	**25**	1	**1**	1	25,000	20,000	10	170
112	114	**Crissey-Fowler Lumber,** Colorado Springs, Colo.	33	**34**	3	15	**15**	1	**1**	1	20,000	28,000	8	130
99	115	**Kempsville Lumber,** Virginia Beach, Va.	38	**34**	(11)	10	**10**	1	**1**	1	12,000	10,000	NA	167
107	116	**Fullerton Lumber,** Minneapolis, Minn.	35	**33**	(6)	40	**NA**	34	**27**	NA	17,000	13,000	NA	400
125	117	**Hayward Lumber,** Salinas, Calif.	29	**33**	14	33	**36**	7	**7**	8	15,000	12,000	3	175
118	118	**Panning Lumber,** Orlando, Fla.[e]	31	**33**	6	8	**8**	7	**7**	7	12,000	8,500	NA	297
—	119	**Western Home Center,** Cincinnati	27	**33**	22	12	**12**	2	**3**	3	1,000	13,000	9	300
—	120	**Peter Lumber,** Pleasantville, N.J.	28	**32**	14	25	**25**	13	**13**	14	8,000	6,000	2	110
120	121	**Big Tin Barn,** Diboll, Tex.	30	**32**	7	15	**20**	6	**5**	5	10,000	5,000	7	100
131	122	**Hinckley Home Centers,** Hyannis, Mass.	26	**32**	23	35	**38**	3	**4**	4	24,000	7,000	3	160
93	123	**E. C. Barton,** Jonesboro, Ark.	32	**31**	(3)	30	**35**	27	**27**	27	8,000	6,000	3	375
120	124	**Builders Supply,** Omaha, Neb.	32	**31**	(3)	13	**11**	1	**1**	1	25,000	20,000	40	200
141	125	**Champion Lumber,** Riverside, Calif.	28	**31**	11	10	**10**	1	**1**	1	1,000	10,000	8	70
120	126	**O. B. Thompson,** Hopkins, Minn.[e]	30	**30**	0	83	**83**	8	**8**	8	22,000	10,000	NA	400
114	127	**Babbitt Brothers,** Flagstaff, Ariz.	32	**30**	(6)	40	**40**	6	**6**	7	20,000	10,000	5	135
—	128	**Great Central Lumber,** St. Louis, Mo.	30	**30**	0	6	**6**	5	**4**	4	5,500	6,000	7	100
76	129	**Ray Lumber,** Phoenix, Ariz.[16]	37	**30**	(19)	2	**2**	3	**3**	0	12,500	5,000	NA	200
—	130	**Raymond Building Supply,** N. Fort Meyers, Fla.	23	**30**	30	4	**4**	3	**3**	3	3,000	3,500	6	300
—	131	**J. C. Snavely & Sons,** Landisville, Pa.	25	**30**	20	15	**15**	2	**2**	2	NA	8,000	5	255
126	132	**All American Home Center,** Downey, Calif.	28	**30**	7	100	**100**	1	**1**	1	85,000	173,000	NA	300
131	133	**Builderama,** Savannah, Ga.	26	**29**	12	78	**82**	7	**9**	11	20,000	30,000	3	400
—	134	**Continental Lumber,** West Haven, Conn.	25	**29**	16	10	**10**	2	**2**	2	5,000	2,000	4	60
126	135	**Babcock Building Supply,** Melbourne, Fla.	28	**28**	0	50	**50**	8	**8**	8	30,000	30,000	NA	250
136	136	**Spahn and Rose Lumber,** Dubuque, Iowa	24	**27**	13	65	**65**	24	**24**	24	8,000	3,700	4	185
120	137	**Braver Lumber,** Detroit	30	**27**	(10)	87	**80**	11	**11**	8	8,000	8,000	4	250
126	138	**Millard Lumber,** Omaha	28	**27**	(4)	31	**25**	2	**2**	2	15,000	19,000	11	200
141	139	**TAPJAC Co.,** Carthage, Mo.	24	**26**	8	65	**60**	14	**14**	14	12,000	12,000	4	270
—	140	**Hermann Lumber,** Springfield, Mo.	25	**26**	4	25	**25**	10	**10**	10	10,000	8,000	6	150
—	141	**Stacy Building Materials,** Mobile, Ala.	26	**26**	0	65	**60**	7	**7**	9	20,000	NA	6	300
—	142	**Jaeger Lumber,** Union, N.J.	22	**26**	18	57	**57**	5	**5**	5	8,000	8,000	3	126

1987 Retail Home Center Leaders

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131	143	**Cofer Brothers,** Tucker, Ga.	26	26	0	11	15	1	1	1	10,000	6,000	4	85
136	144	**T. H. Rogers Lumber,** Oklahoma City	25	25	0	67	65	31	31	31	15,000	3,000	NA	175
—	145	**Lumber Headquarters,** Floral Park, N.Y.	21	25	19	85	80	12	13	13	6,000	5,000	1	220
—	146	**Consolidated Lumber,** Stillwater, Minn.	20	25	25	25	25	9	9	NA	5,000	NA	NA	110
—	147	**Steenbeke & Sons,** Boscawen, N.H.	28	25	(11)	37	40	6	6	NA	20,000	12,000	5	140
129	148	**Herndon Lumber & Millwork,** Gainesville, Va.	27	25	(7)	1	1	1	1	1	5,000	5,000	31	210
120	149	**Mayfield Building Supply,** Arlington, Tex.	30	25	(17)	0	0	1	1	1	5,000	0	14	125
145	150	**Hacienda Home Centers,** Albuquerque, N.M.	23	25	7	100	100	6	6	NA	18,000	21,000	5	280
141	151	**Manis Lumber (Wheeler's),** Rome, Ga.	24	24	0	36	36	6	6	7	10,000	8,000	5	129
136	152	**Stine Lumber,** Sulfur, La.	24	24	0	80	60	6	4	4	8,000	14,000	4	140
89	153	**Daniels-McCray Lumber,** Kansas City, Mo.	27	24	(11)	2	4	3	3	3	9,000	3,000	6	87
—	154	**A. H. Angerstein,** Elsmere, Del.	21	24	14	NA	NA	2	2	2	14,000	1,500	NA	180
147	155	**Wallich Lumber,** Detroit, Mich.	21	24	14	5	5	1	1	1	10,000	10,000	10	80
136	156	**Elk Supply,** Clinton, Okla.	25	23	(8)	80	80	17	17	NA	30,000	12,000	3	127
—	157	**Stottlemyer & Shoemaker Lumber,** Sarasota, Fla.	20	23	15	15	15	2	2	1	10,000	9,000	7	200
114	158	**Calcasieu Lumber,** Austin, Tex.	32	23	(28)	2	2	1	1	2	13,500	10,000	32	125
114	159	**Stripling Blake Lumber,** Austin, Tex.	32	23	(28)	20	30	2	1	2	35,000	30,000	6	165
—	160	**C & C Building Supplies,** Tarrs, Pa.	20	23	15	45	45	1	1	1	15,000	35,000	17	62
—	161	**General Builders Supply,** Norwood, Mass.	21	23	10	5	5	1	1	1	NA	5,000	6	50
147	162	**Lummus Supply,** Atlanta, Ga.	22	23	2	40	30	4	5	NA	8,000	8,000	4	60
—	163	**Alamo Lumber,** San Antonio, Tex.	26	22	(15)	55	55	17	16	NA	4,500	3,500	2	240
—	164	**Conklin & Strong,** Warwick, N.Y.	19	22	16	75	75	7	7	7	2,800	4,000	2	110
136	165	**Levy's Building Centers,** Louisville, Ky.[e]	25	22	(12)	84	80	5	4	NA	25,000	60,000	NA	300
—	166	**Woodward Lumber,** Los Cruces, N.M.	19	22	16	2	2	3	3	3	5,600	3,200	NA	150
—	167	**Friend Building Centers,** Lowell, Mass.	17	22	29	50	50	2	2	2	10,000	8,000	2	130
—	168	**Robertson Cos.,** Grand Forks, N.D.	19	21	11	67	67	26	22	NA	15,000	3,000	2	160
—	169	**Cramer's Building Centers,** E. Stroudsburg, Pa.	18	21	17	70	70	7	7	NA	9,000	20,000	NA	115
—	170	**Economy Lumber & Hardware,** Denver, Colo.[e]	21	21	0	50	50	3	3	3	13,000	10,000	9	130
147	171	**Baily Lumber,** Bluefield, W. Va.	20	20	0	65	45	15	15	15	10,000	6,000	2	200
—	172	**Gulf Stream Lumber,** Boynton Beach, Fla.	17	20	18	NA	10	1	2	2	20,000	6,000	14	125
150	173	**Hughes Lumber,** Tulsa, Okla.	21	19	(10)	75	75	10	10	NA	9,500	15,000	4	160
—	174	**Dooley's Hardware,** Long Beach, Calif.	18	19	6	33	33	1	1	1	NA	22,500	8	180
—	175	**Buena Park Lumber,** Buena Park, Calif.	15	18	20	22	22	1	1	1	32,000	25,000	5	100
—	176	**Olshan Lumber,** Houston, Tex.	20	17	(15)	NA	NA	2	2	2	15,000	30,000	13	200
145	177	**Martin Home Centers,** Alexandria, La.	23	16	(30)	28	28	0	5	5	10,000	10,000	5	80
—	178	**United Lumber,** Anchorage, Alaska	17	16	(6)	35	35	4	4	4	19,000	10,000	5	75
131	179	**Sackett & Peters,** Whittier, Calif.	26	15	(42)	100	100	2	1	NA	37,000	120,000	NA	120
—	180	**Housatonic Lumber,** Derby, Conn.	9	10	11	50	50	1	1	1	15,000	14,000	3	105
		TOP 10 TOTALS AND AVERAGES	10,935	13,208	21	71	74	1,961	1,973	NA	19,000	48,230	2	102,461
		TOP 25 TOTALS AND AVERAGES	15,814	18,639	18	75	74	3,039	3,063	NA	20,460	40,182	2	149,564
		TOP 50 TOTALS AND AVERAGES	18,384	21,434	17	61	62	4,429	4,496	NA	18,340	30,921	3	177,255
		TOP 100 TOTALS AND AVERAGES	20,966	24,363	16	54	55	4,959	5,073	NA	17,500	24,746	3	197,417
		TOP 180 TOTALS AND AVERAGES	23,062	26,532	15	47	47	5,470	5,579	NA	15,850	20,836	4	211,922
		TOP 11-25 TOTALS AND AVERAGES	4,879	5,431	11	74	74	1,078	1,090	NA	21,433	34,817	3	47,103
		TOP 26-50 TOTALS AND AVERAGES	2,570	2,795	9	47	50	1,390	1,433	NA	16,220	21,660	3	27,691
		TOP 51-100 TOTALS AND AVERAGES	2,582	2,929	13	48	48	530	577	NA	16,660	18,570	4	20,162
		TOP 101-180 TOTALS AND AVERAGES	2,096	2,169	3	38	37	511	506	NA	13,788	15,888	6	14,505

Company	Subsidiaries 1987	$ Mil. Sales 1986	$ Mil. Sales 1987	% Chg. 1986-1987	% DIY 1986	% DIY 1987	Number of stores 1986	Number of stores 1987	Number of stores 1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Acreage Per Store 1987	Employees 1987
Wickes Cos.	**Wickes Lumber,** Vernon Hills, Ill.	1,080	1,200	11	40	40	245	224	NA	10,000	9,000	5	7,500
	Builders Emporium/Ole's, Irvine, Calif.[e]	709	750	6	100	100	131	123	NA	25,000	35,000	NA	16,900
	Orchard Supply Hardware, San Jose, Calif.	163	200	23	80	80	21	29	31	50,000	33,000	5	2,900
Lanoga	**Lumbermen's,** Olympia, Wash.	65	72	11	45	52	16	16	16	13,500	10,000	4	440
	Spenard's, Anchorage, Alaska[e]	130	111	(15)	34	50	11	9	9	21,000	9,000	5	350
	United Building Centers, Winona, Minn.	127	140	10	47	NA	108	102	102	12,000	7,000	3	1,200

Footnotes

[1]Includes sales from Builders Emporium/Ole's, Wickes Lumber and Orchard Supply Hardware. Wickes signed a definitive agreement to sell Wickes Lumber to its management on April 21, 1988.

[2]Includes stores operating under the names Payless Cashways, Furrow Building Materials, Lumberjack, Knox Lumber and Somerville Lumber (which declined to break out its sales separately).

[3]Excludes sales from Home Quarters Warehouse, which Hechinger purchased in December for $66 million. HQ's numbers are listed separately

[4]Was taken private as part of a leveraged buyout of Supermarkets General, Rickel's parent, by SGC management.

[5]Was taken private by its management April 1988.

[6]Includes sales from 18-unit Forest City, which Handy Andy purchased in January 1987 for $48 million.

[7]Includes sales from PK Home Centers, which Erb purchased in 1986.

[8]Diamond and its parent, Michigan General, filed Ch. 11 in May 1987.

[9]Represents only those sales of hardware and home improvement products sold by Agway's stores stocking these products.

[10]Boise Cascade's remaining 19 stores were sold in an LBO to BMC West Corp., comprised primarily of Boise managers and the investment firm McCown DeLeeuw.

[11]Represents total volume for Andersons' stores. Company declined to break out home improvement sales, which, by *NHCN* estimates, make up at least 75 percent of its volume.

[12]Excludes sales from Westlake's Lone Star Hardware subsidiary, which are listed separately.

[13]Includes sales of 21 Lindsley Home Center stores, which were acquired from Asset Holding Corp. in September.

[14]Was purchased by Hechinger for $66 million in December.

[15]Purchased by The Strober Organization in 1987.

[16]In early 1988, Ray Lumber began liquidating its operations, closing two of its stores and putting the third on the block.

Perspectives

annual census/retailers

Leading % Sales Gainers

Company	Sales 1986	Sales 1987	% Change 1986-1987
Handy Andy	150	325	117
Builders Square	700	1,400	100
Triangle Building Centers	36	60	67
Fairfield Lumber	27	42	56
Fagen's	42	63	50
LaValley Building Supply	25	36	44
The Home Depot	1,011	1,450	43
HomeClub	460	650	41
William M. Young	25	35	40
Mr. Goodbuys	100	138	38
Boise Cascade	90	120	33
Hancock Co.	45	60	33

Source: *NHCN* research

Lowe's closed 16 units in the Oil Patch last year and converted this unit in Tulsa, Okla., to a contractor yard. NHCN photo

Lowe's closes units, moves to boost margins

By an NHCN staff editor

NORTH WILKESBORO, N.C. — After more than two years of watching sales from stores in the Oil Patch slow to a trickle, Lowe's—the industry's largest home improvement chain—decided to close 16 stores in Dallas-Fort Worth, Oklahoma, Georgia and South Carolina.

The move surprised few people, least of all stock analysts, who had been forewarned of the January 1988 closings at a September meeting with Lowe's ceo Robert Strickland.

"I don't know why they didn't do it sooner," mumbled one satisfied analyst after the meeting in New York.

Wall Street Lowe's watchers had been agitating for some time about the need to close the oil patch stores, and their increasingly negative research reports reflected their concern.

Despite a bumpy year, Lowe's finished 1987 with a 17 percent net earnings increase.

But the rumblings on Wall Street were only one of Lowe's worries.

Strickland admitted that margins were sagging in the chain's 150 smaller stores. To combat the problem, the company launched a remerchandising program called "Rack and Roll."

Using eight-foot racking and gondolas, the idea was to move as much merchandise as possible out of the warehouse and onto the sales floor.

"We'll stack it as high as our ceilings will allow," Stickland said.

At a cost of $50,000 per store, he estimated the plan could increase sales by $1 million to $1.5 million per unit.

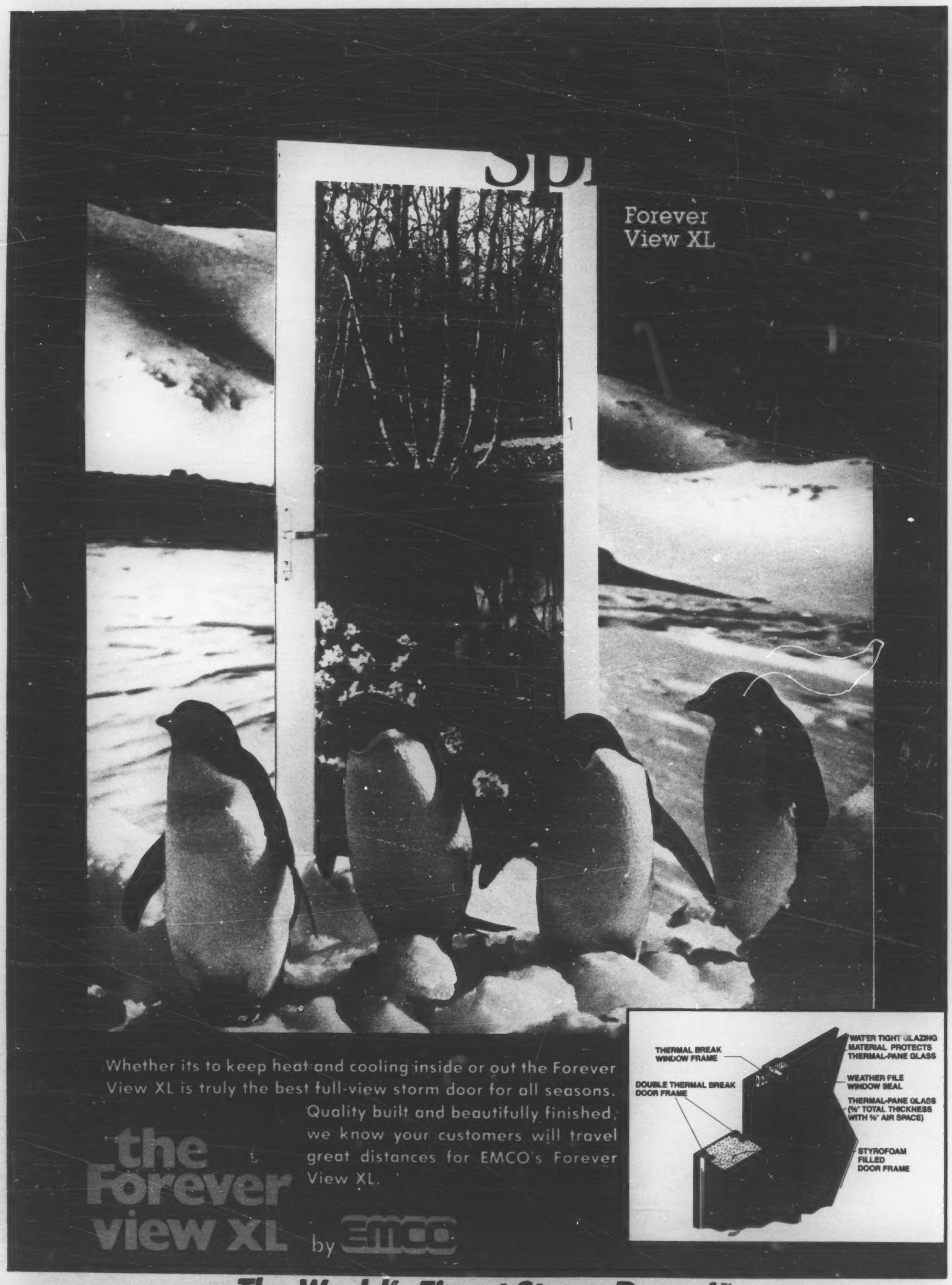
Lowe's also moved to provide more information to customers. Paint displays, for instance, now feature color coding, coordinated with paint brushes, so customers can select the proper brush for paint without a salesperson's help. Other point-of-sale information was also made more detailed.

Despite a bumpy year, Lowe's finished 1987 with a 7 percent net earnings increase. Earnings were $61.2 million on sales of $2.44 billion from 300 units.

The company would have had an even stronger showing were it not for a 94 percent drop in net earnings in the fourth quarter.

Net earnings were $648,000 for the quarter, on sales of $502.4 million.

The drop came from a $9.8 million charge for closing the Oil Patch stores and a $1.2 million last-in, first-out inventory charge.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THE 1987 *NHCN* HOME CENTER RETAIL LEADERS

The 1987 *NHCN* Top 100 in DIY Sales

DIY Rank	Company	DIY Sales 1986 (Mil. $)	DIY Sales 1987 (Mil. $)	% Change	% DIY 1987	Total Stores 1987
1	Payless Cashways	1,375	1,646	16	93	195
2	Lowe's Cos.	1,256	1,391	10	57	295
3	Wickes Cos.	1,170	1,376	15	64	376
4	The Home Depot	859	1,233	30	85	75
5	Builders Square	455	980	54	70	118
6	Grossman's	806	862	6	80	258
7	Hechinger	588	725	19	100	79
8	HomeClub	460	650	29	100	36
9	Channel Home Centers	544	544	0	75	180
10	Sutherland	484	508	5	80	83
11	Menard's	383	502	24	85	38
12	Rickel	416	466	11	100	49
13	Pay 'N Pak	398	429	7	100	100
14	Scotty's	340	354	4	67	141
15	Handy Andy	147	319	54	98	44
16	Pergament Home Centers	260	300	13	100	40
17	Central Hardware	270	300	10	100	35
18	Ernst Home & Nursery	250	260	4	100	70
19	84 Lumber	410	164	−150	20	361
20	Lanoga	161	162	0	50	127
21	National Lumber	150	159	6	100	20
22	Erb Lumber	125	144	14	50	44
23	West Building Materials	130	142	8	50	68
24	Carter-Jones Lumber	116	133	13	55	146
25	McCoy's	134	133	− 1	70	80
26	Mr. Goodbuys	95	131	28	95	13
27	Wolohan Lumber	103	117	12	51	42
28	Westlake Hardware	73	83	12	92	46
29	Lloyd Home & Building Ctrs.	74	83	11	75	34
30	Valu Home Centers	76	81	6	100	25
31	Stambaugh-Thompson	69	78	12	100	20
32	Courtesy Home Centers	70	75	7	100	6
33	Lone Star Hardware	70	75	7	100	28
34	ACO	72	75	3	85	64
35	Busy Beaver	62	67	7	95	14
36	Aubuchon Hardware	62	66	6	90	135
37	Home Quarters Warehouse	55	65	15	100	9
38	Eclipse Industries	57	65	12	98	8
39	Foxworth-Galbraith	62	64	3	58	51
40	Lampert Lumber	55	64	13	70	44
41	Chase-Pitkin	56	63	11	95	11
42	Dixieline	42	61	31	53	9
43	Neiman-Reed's Lumber City	54	57	5	95	10
44	P.F. O'Connor	44	56	20	60	10
45	Goodman's Lumber	51	53	4	100	4
46	Church's Lumber	44	47	7	70	16
47	Diamond Lumber	68	47	− 45	20	63
48	National Hardgoods Dist.	36	46	22	100	31
49	Yardbirds of California	38	45	15	98	6
50	Hill-Behan Lumber	45	45	0	50	34
51	Triangle Bldg. Ctrs.	27	45	39	75	5
52	Meeks Building Centers	38	44	15	40	24
53	Copeland Lumber Yards	40	44	9	40	75
54	Edward Hines Lumber	40	40	0	40	24
55	Plywood Minnesota	36	36	0	95	12
56	The Andersons	0	34	100	34	6
57	Western Lumber	30	34	10	50	10
58	City Mill	28	33	14	91	5
59	Wolf Organization	25	32	21	40	28
60	Brown-Graves	13	32	60	45	5
61	National Home Center	28	32	11	45	6
62	O'Malley's	39	30	− 28	30	13
63	Boise Cascade	18	30	40	25	18
64	All American Home Center	28	30	7	100	1
65	Henry Bacon Building Materials	24	29	19	55	6
66	Gerrity Building Centers	17	29	41	15	18
67	The Paty Co.	25	29	12	55	6
68	Williams Brothers	21	28	25	35	9
69	Hancock Co.	21	28	25	46	8
70	General Building Products	22	27	20	40	7
71	Anderson Lumber	25	27	7	30	22
72	Curtis Lumber	20	26	25	45	8
73	Seigle's Home & Building Centers	20	26	23	35	6
74	Alexander Lumber	20	26	22	30	53
75	M.G. Building Materials	25	25	0	50	4
76	O. B. Thompson	25	25	0	83	8
77	Hacienda Home Centers	23	25	6	100	6
78	Lezzer Lumber	24	24	0	50	6
79	Builderama	20	24	15	82	9
80	Rigg's Supply	28	23	− 19	60	8
81	Woodbury and Sons	16	22	26	50	8
82	Braver Lumber	26	22	− 22	80	11
83	Star Lumber	23	21	− 6	47	3
84	Lumber Headquarters	18	20	11	80	13
85	Lampert Yards	18	20	9	45	29
86	M.L. Claster & Sons	17	20	15	50	11
87	Bellevue Builders Supply	17	19	9	34	1
88	Elk Supply	20	18	− 9	80	17
89	Levy's Building Centers	21	18	− 19	80	4
90	Spahn and Rose Lumber	16	18	11	65	24
91	Conklin & Strong	14	17	14	75	7
92	Seacoast/Pelican Building Centers	15	17	9	22	11
93	T.H. Rogers Lumber	17	16	− 3	65	31
94	Fagen's	15	16	7	25	14
95	TAPJAC Co.	16	16	0	60	14
96	Stacy Building Materials	17	16	− 8	60	7
97	Sackett & Peters	26	15	− 73	100	1
98	Jaeger Lumber	13	15	15	57	5
99	Cramer's Building Centers	13	15	14	70	7
100	Cox Lumber	13	15	12	22	13
TOP 10 TOTALS AND AVERAGES		7,997	9,914	18	80	1,695
TOP 25 TOTALS AND AVERAGES		11,684	13,879	8	78	3,058
TOP 50 TOTALS AND AVERAGES		13,216	15,584	8	80	3,791
TOP 100 TOTALS AND AVERAGES		14,313	16,851	10	67	4,438

Perspectives

Wickes tops $2 billion mark in turbulent year

By an NHCN staff editor

SANTA MONICA, Calif. — One would have thought that nothing could have topped 1986 for Wickes Cos., which that year went on an acquisition binge and attempted to take over National Gypsum and Owens-Corning Fiberglas.

But 1987 was equally tumultuous for Wickes and its home center chains—Builders Emporium, Ole's, Orchard Supply Hardware and Wickes Lumber—which collectively generated the second highest retail sales in the industry, $2.15 billion out of 376 stores.

Wickes started the year closing its deal to acquire Collins & Aikman. And it ended 1987 with Wickes Lumber's management attempting to buy out the 225-unit chain based in Vernon Hills, Ill.

In between, Wickes' bottom line was adversely affected by liabilities incurred by its carpeting division; BE hired a new president but lost other corporate managers due to restructuring; the company's British subsidiary and its Sequoia Supply wholesale division were sold off to their respective managements; and Wickes' Orchard chain continued to be one of the industry's strongest hardlines retailers, with sales that exceeded $200 million from 29 stores.

Last spring, when Wickes sold off its 54-unit International division for $155 million and its 33-warehouse Sequoia Supply commodities distributor for an undisclosed amount, it was sending a message to the industry that its efforts and assets would be be directed primarily at developing and expanding its U.S. home improvement chains.

And it appears that Wickes wants to capture a level of geographic dominance in the West, as it sold off to Westlake Hardware a number of the units in the South it acquired when it bought W.R. Grace's western home center division in 1986. The surprise move, though, was Wickes' announcement late last year that its Wickes Lumber division was on the block because its

(Continued on page 37)

Last spring, when Wickes sold off its International division and its Sequoia Supply commodities distributor, it was sending a message to the industry that its efforts and assets would be be directed primarily at developing and expanding its U.S. home improvement chains.

Biggest $ Sales Losers

Company	$ Mill. Sales 1986	$ Mill. Sales 1987	$ Mill. Loss
Diamond Lumber, Dallas	338	233	–105
O'Malley's, Phoenix.	129	101	– 28
Sackett & Peters, Whittier, Calif.	26	15	– 11
Calcasieu Lumber, Austin, Texas	32	23	– 9
Stripling Blake Lumber, Austin, Texas	32	23	– 9

Source: *NHCN* research

Top $ Sales Gainers

Company	$ Mill. Sales 1986	$ Mill. Sales 1987	$Mill. Increase
Builders Square	700	1400	700
The Home Depot	1011	1450	439
Payless Cashways	1528	1770	242
Wickes Cos.	1950	2150	200
HomeClub	460	650	190

Source: *NHCN* research

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Perspectives

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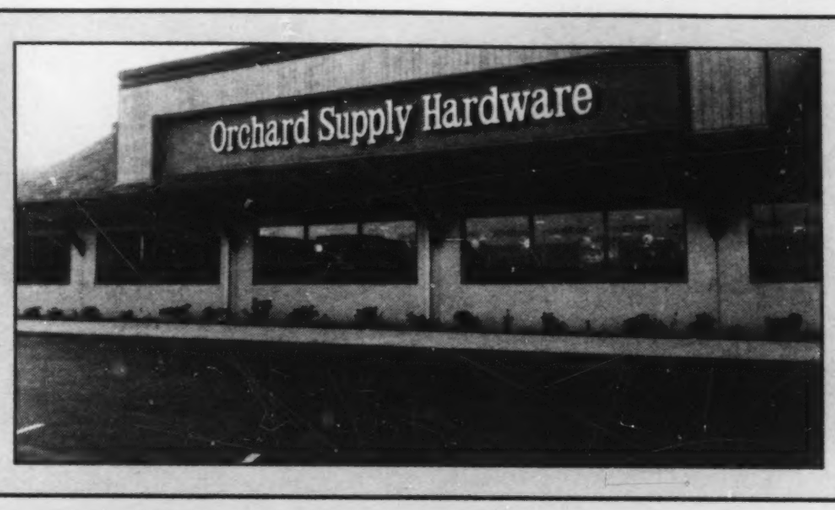

Wickes' Orchard chain continued to be one of the industry's strongest hardlines retailers last year, with sales that exceeded $200 million from 29 stores.

NHCN photos

Wickes puts assets behind home centers

(Continued from page 36)

contractor sales mix made its business more cyclical than Wickes wanted.

The division's general manager Les Hagen and a group of Wickes Lumber's management mounted a leveraged buyout for the $1.2 billion chain, only to be thwarted by their failure to raise adequate financing, estimated by some analysts to be between $250 million and $350 million.

On April 21, though, the managers were able to raise the financing and signed a letter of intent to purchase Wickes Lumber for $320 million.

At BE, chain president Jack Edwards was charged with integrating the Ole's stores Wickes had bought from Grace into BE's operations. To that end Edwards brought in Ted Kazleman, the former president of Heck's, to fill the new position of senior vp-marketing.

However, as it "streamlined" its operations, a number of key management executives either resigned from BE or were fired. Senior vp-operation Max Clark left the chain after it restructured last summer. And this "trend" has not abated in 1988: Dave Cullen, BE's vp-store operations, resigned in March. Last month Dennis Albert was promoted to vp-gmm.

A facet of this restructuring also took the form of BE signing a 10-year lease on a 127,000-square-foot headquarters in Irvine, Calif., which it moved into last summer.

At Orchard, a greater emphasis was placed on lawn and garden merchandise to attract a larger base of female shoppers. This program included the hiring of professional nurserymen and a special information center.

Wickes' attention to its retail operations, though, was distracted by the ongoing problems it had with Collins & Aikman's carpeting division. It was forced to take an $11 million charge against earnings to cover anticipated liabilities from C&A's carpet product, which did not meet certain flammability standards.

However, Wickes Cos.' corporate net income soared to $180.5 million in the latest fiscal year, compared to $83.6 million for the previous 12 months.

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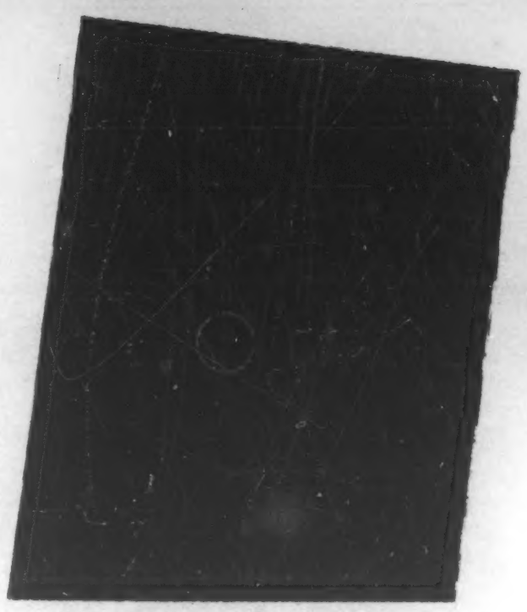

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Perspectives

annual census/retailers

Payless makes moves to boost performance after tough year

By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways, the industry's third largest chain, had a tough year in 1987.

Most significant, in the short term, was the company's fourth quarter charge of more than $12 million, $7.8 million of which was laid to costs associated with 1987 store closings in Houston, El Paso, Texas, and Kansas City, Mo., and the shuttering of two distribution centers.

Much of the rest of the charge was attributable to changes in the company's credit card management.

Although sales for 1987 rose 15.9 percent to $1.8 billion, the special charge drove net income down 33.6 percent to $13.6 million. (Without the charge, Payless would have posted a 1.7 percent decline in net income.)

To take the charges during 1987, Payless' chairman David Stanley explained, would "provide benefits to the company . . . in the near and long-term future."

Payless' income has been flat since 1983, so the company took bold steps last summer by consolidating its merchandising and marketing departments, and placing that unit under the supervision of senior vp Dale Pond. In the corporate reshuffling long-time Payless employee and senior vp-operations/systems Larry Koeppen, and senior vp-merchandising John Breedlove, resigned.

The chain is also crossing its fingers that there is improvement in the economies of Texas, Oklahoma, and Colorado, where the chain has more than 36 percent of its units. Stanley said those states delivered just 40 percent of profits they did in 1986.

Biggest $ Sales Losers

Company	$ Mill. Sales 1986	$ Mill. Sales 1987	$ Mill. Loss
Diamond Lumber, Dallas	338	233	– 105
O'Malley's, Phoenix.	129	101	– 28
Sackett & Peters, Whittier, Calif.	26	15	– 11
Calcasieu Lumber, Austin, Texas	32	23	– 9
Stripling Blake Lumber, Austin, Texas	32	23	– 9
Martin Home Centers, Alexandria, La.	23	16	– 7
Ray Lumber, Phoenix, Arizona.	37	30	– 7
Mayfield Building Supply, Arlington, Texas	30	25	– 5
Foxworth-Galbraith, Dallas	115	110	– 5
Alamo Lumber, San Antonio, Texas	26	22	– 4
Kempsville Lumber, Virginia Beach, Va.	38	34	– 4
Daniels-McCray Lumber, Kansas City, Mo.	27	24	– 3

Source: *NHCN* research

Same store sales across the chain—which operates stores under the names Payless Cashways, Lumberjack, Hugh M. Woods, Somerville Lumber and Knox Lumber, rose just 2.9 percent—reflecting increased sales since the second quarter when Payless saw margins erode to 30 percent from the previous year's 30.7 percent.

In opening a total of 12 units last year, five in new markets, Payless debuted its "customer friendly" Cash Warehouse concept in March in Amarillo, Texas. Half of the 50,000-square-foot prototype is traditional gondola merchandise with the second half containing a lower-racked and finished presentation commodity warehouse including large and bulky items. Payless closed the year with a total of 194 in 23 states.

Payless stock (NYSE-PCI) traded from a high of $26⅞ to a low of $11⅛.

Last summer, asserting the defense of its credit customers, Payless filed suit in June against Mercantile Bank of St. Louis, Mo., administrator of its private-label charge card. Last year, all charge card sales accounted for 22 percent of the retailer's sales.

Payless alleged Mercantile tightened controls on issuing the consumer credit cards in violation of its previous agreement. Mercantile and Payless settled out of court. It cost Payless $2.2 million (in the special charge) to switch accounts to General Electric Credit Corp., and—estimates the *Kansas City Business Journal*—it cost Mercantile $140 million in lost Payless business.

Another loss for Payless was the death of its founder, Vernon Furrow, from a heart ailment on April 17, 1987. The 78-year-old Furrow opened the lumberyard in Pocahantas, Iowa, in 1930 that was the genesis of the company. He retired from the company in 1971 and from its board in 1984.

Payless Cashways lost its founder, Vern Furrow, this past year to a heart ailment. The 78-year-old Furrow opened the lumberyard in Pocahantas, Iowa, in 1930 that was the genesis of the company. He retired from the company in 1971 and from its board in 1984. In other company news, Payless is crossing its fingers that there is improvement in the economies of Texas, Oklahoma, and Colorado, where the chain has more than 36 percent of its units. Pictured is a Payless unit in Tulsa, Okla.

Manville

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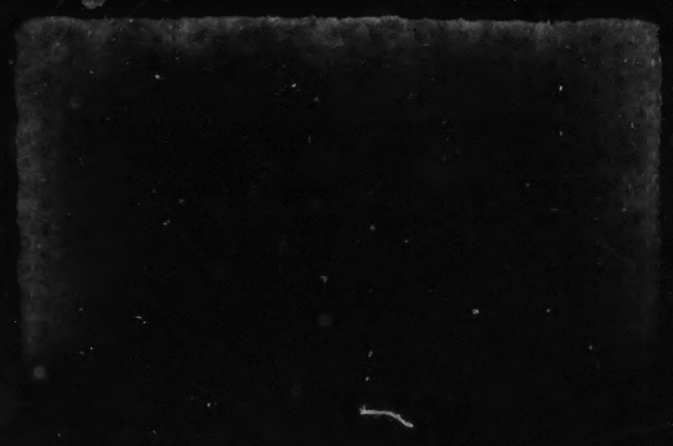

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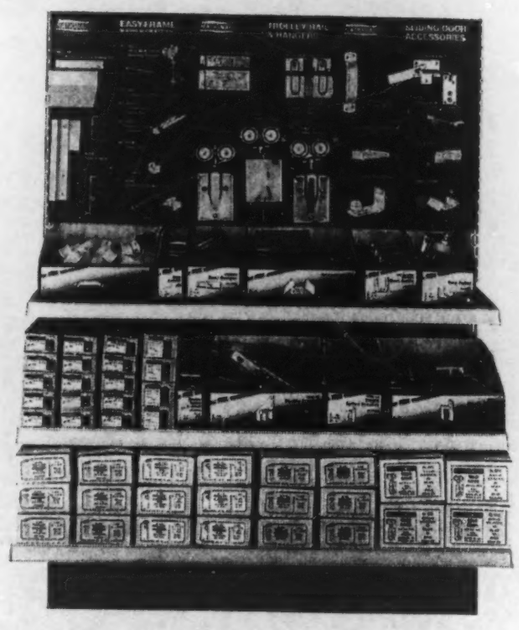

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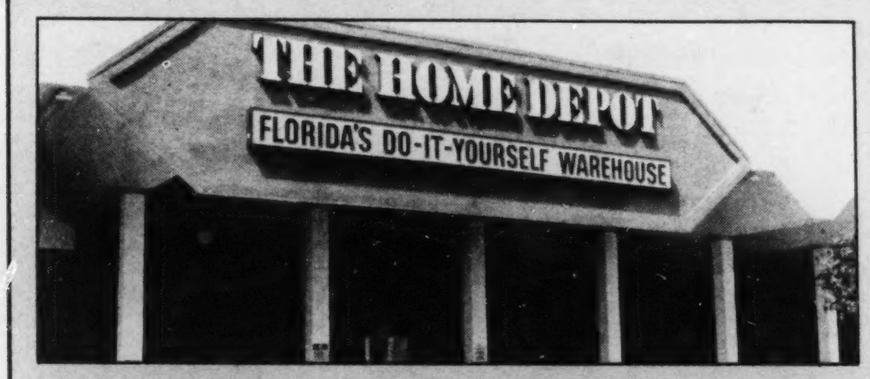


The Home Depot's earnings exploded in 1987, rising more than 87 percent to $54 million. NHCN photo

Home Depot posts healthy gains as competitiveness intensifies

By an NHCN staff editor

ATLANTA — The Home Depot had modest store growth in 1987 and still shied away from opening in a Northern market. But revenues and earnings rose spectacularly and its competitiveness intensified.

Home Depot's revenues jumped 43 percent in 1987 to $1.45 billion. Its revenue increase was second only to Builders Square among the top 10 chains. More impressive was Home Depot's 20 percent comp-store sales growth.

And on the net income side, the company's earnings exploded by more than 87 percent to $54.09 million.

The bulk of Home Depot's expansion was in existing markets in the South and the Southwest. Analysts suggested that one reason the Home Depot avoided Northern markets in 1987 was its reluctance to compete against chains equally as strong, most notably Hechinger.

However the chain, which is expected to open 24 stores in 1988, has already announced plans to enter the New York metropolitan market, initially with a store in East Hanover, N.J., and one in North Haven, Conn.

It opened its sixth unit in the pressure-cooker Los Angeles market, supported by an aggressive advertising blitz that blasted the HomeClub. In a campaign asking "Why shop at the ugly warehouse where you have to use those ugly and costly cards to save money," the Home Depot ripped the HomeClub's television promotions. In those ads, the HomeClub referred to itself as "ugly warehouses with beautiful prices."

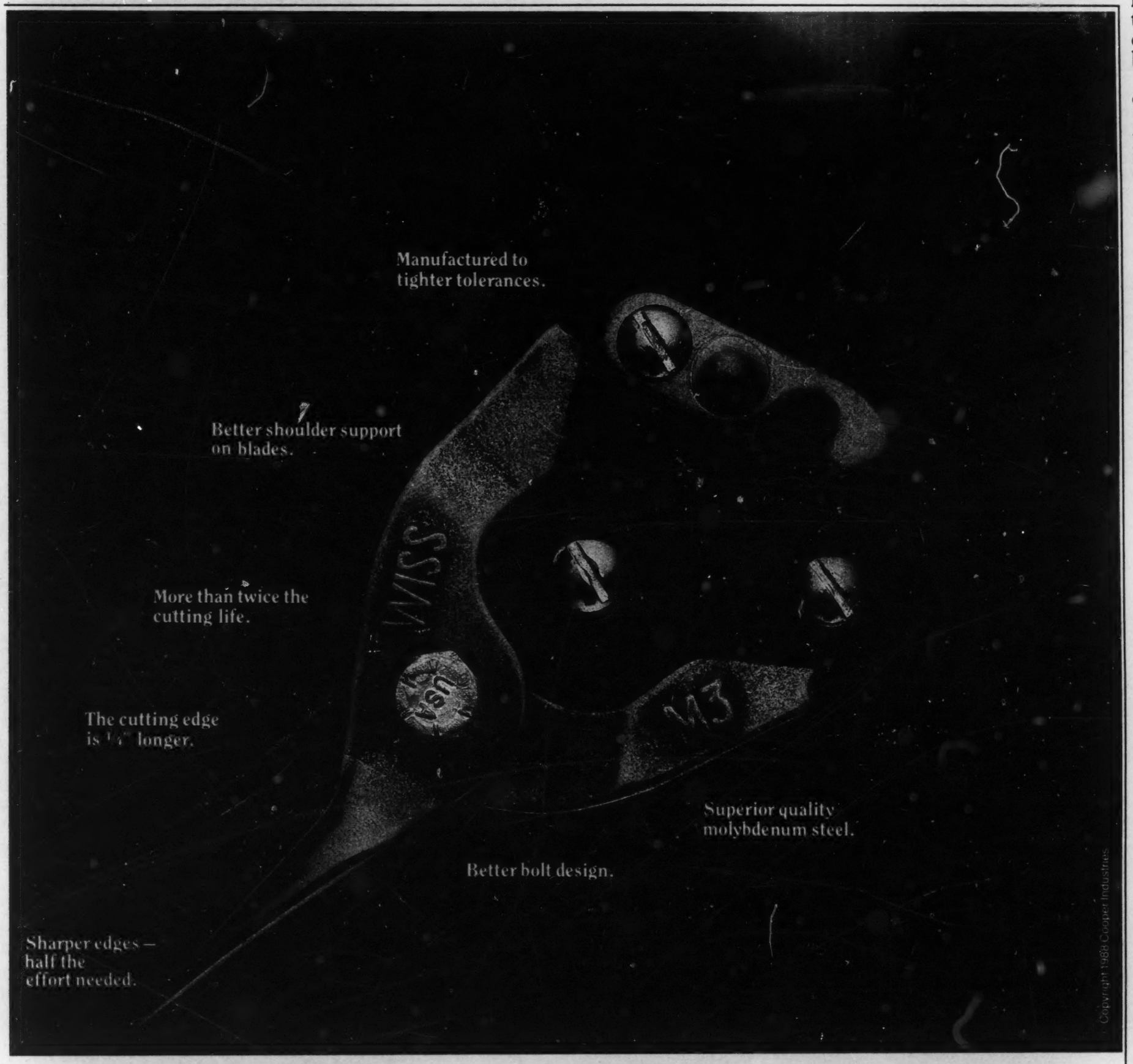
Another sign of a tougher Home Depot was unveiled at the beginning of the year when arch rival, Builders Square, announced its intention of moving into Atlanta.

Although it took the K mart subsidiary nearly seven months before it opened a store in Atlanta, Home Depot did not shudder over the Builders Square challenge in its own backyard. When asked to comment on Builders Square's arrival in its home port, Arthur Blank, president, said: "We're going to give them a Home Depot welcome and you can put welcome in quotation marks."

Ironically, the big winners in the battle between the warehouse giants in Atlanta seemed to have been the independents. Many companies reported that with each warehouse chain spending enormous sums on print and broadcasting promotions, shoppers came out of the woodwork and spent money among smaller operations as well.

One of the more dramatic developments for Home Depot in 1987 was in its executive ranks. Late in the year, the company hired John Breedlove as manager of special projects. Breedlove had been senior vp-merchandising for Payless Cashways, a post he resigned from last August.

But both Builders Square and the Home Depot suffered the kind of tragedy retailers dread: Children were killed as a result of injuries sustained in the stores. In the case of the Home Depot, a 7-year-old boy died from injuries he incurred in a Perrine, Fla., unit when a shopping cart filled with sheets of plywood fell on top of him. The Home Depot was later named the defendant in a $20 million lawsuit.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Perspectives

annual census/specialty stores

Economy puts damper on specialty sales

By Gary S. Ruderman

All but the largest specialty retailers saw flat sales growth last year, and their officials blamed the economy or a realignment of their core business.

"It was an okay year considering the economic climate," said Tom Fields, vp of the five-unit Dallas-area Yardbirds plumbing and electrical speciality store chain with $6 million in sales. "Others consider it a successful year" given the economic climate.

NHCN, as part of its annual Census this year, has broken out data for 19 key specialty operators in several product categories.

Sherwin-Williams, the market-dominant Cleveland-based paint chain, boosted sales 13 percent to more than $1.1 billion and its store count 6 percent to 1,829. Its main rival Glidden, also in Cleveland, had similar numbers: a 13 percent sales hike and 7 percent growth in store count.

Where Both Glidden and Sherwin-Williams rely on 70 percent to 80 percent contractor sales and each had double-digit sales increases, Standard Brands Paint, the California-based retailer which gets 85 percent of its volume from DIYers, showed just a 3 percent growth in sales. Standard Brands closed three of its 15,000-square-foot units last year.

One change last year in the specialty paint sector was the retail-store departure of Pittsburgh Paints. It closed out about 140 units around the country so that paint it sold in its stores was no longer competitive with the paint it sold to specialists like the 12-unit Aboff's Paint and Wallcoverings.

"We were able to bring in another national brand [PPG] for a company who needs market share," said Rodney Aboff, president of the Huntington, N.Y., chain. The new line, in addition to the Benjamin Moore label, boosted Aboff's paints and wall coverings' sales 17 percent over 1986 to $6 million.

Paint specialty retailers anxiously await what Sears plans to do with its Paint & Hardware chain, which grew to 70 units in 1987. Sears last year developed a special division to expand this operation.

In the lawn and garden sector, the 247-unit Frank's Nursery & Crafts found consumers spending regardless of the economy.

"Even when people are laid off, they work on their homes," explained Walter Rogers, director of corporate communications for General Host, parent of the Detroit-based Frank's. Sales for the fiscal year 1987 ending Jan. 31 were up 19 percent to $396 million, all from DIY sales, Rogers said. With its FlowerTime retail shops, the chain grew 12 percent in store count last year to 247.

In floor coverings, New York Carpet World, based in Southfield, Mich., felt the decline in orders for new homes in 1987 but not a decline in overall sales, according to ceo Marvin Berlin. Berlin believes the now 99-unit chain took sufficient sales away from home centers and other outlets to boost sales. The chain increased its skus by 10 percent last year.

The only major player to cut back last year in store count was Color Tile, the Fort Worth, Texas-based tile chain. It closed 10 of its 4,500-square-foot units in 1987, reducing the total stores to 830 last year, according to the managing partner of Color Tile's holding company, Knoll International Holdings.

Color Tile enjoyed a robust 17 percent sales increase to $488 million in 1987.

Smaller operators were "satisfied" with 1987 results, but there were no bursts of celebration. "We're doing well in relation to the local economy," joked Lawrence Siegel, president of Dallas' five-unit Plumbing Mart. Sales stayed flat around the $2 million mark in both years for the speciality retailer. Plumbing Mart offers 8,000 stockkeeping units, but only 5,000 are stocked in the company's 4,000-square-foot stores.

Yardbirds, the plumbing specialty dealer, trimmed 2,000 items from its 11,000-sku inventory. The remerchandising and an upturn in the Dallas-area economy should boost two years of flat sales at $6 million, Fields said.

FCS Distributors, parent franchisor to the decorative 42-unit Floor to Ceiling Stores, finished the year with an estimated $49 million in sales, flat with 1986 totals, according to new president Roger Graham.

Graham said Floor to Ceiling stores were in the process of cutting in-store skus in favor of special-order merchandise. Four-fifths of the FCS' sales came from custom installation of products purchased from the stores.

There was a similar story at Wallpapers to Go, the Pleasanton, Calif.-based chain of 93 units. While posting a 12 percent increase in sales from core wall coverings, sales were flat at $47 million in 1986 and 1987.

Wallpapers president Max Fratto said in 1987 the chain repositioned its merchandising mix of 1,200 skus, stripped away ancillary bath, kitchen and dining room accessories.

In tool retailing, the 34-store U.S. General increased its volume around 14 percent to $40 million, by *NHCN* estimates. The seven-unit Tool King in Denver and Toolathon, the now eight-unit Totowa, N.J., chain, said sales were up marginally. Andy Passman, president of Toolathon, said its 75 percent contractor base shops the units for higher quality lines, boosting sales to $6.5 million versus $6 in 1986.

However, an indication of how tough the specialty market is now was evinced when Toolathon filed for Chapter 11 Jan. 25, 1988. Last month, Window Depot, a Long Island, N.Y., dealer battling in the highly competitive millwork market, also filed for bankruptcy only weeks after opening its sixth store.

A SAMPLING OF THE INDUSTRY'S LEADING SPECIALTY OPERATORS

Company (HQ City)	*Sales* (in $ Mil.) 1987	1986	*Stores* 1987	1986	*Sq. Ft.*
Sherwin-Williams Cleveland	1,150	1,009	1,829	1,719	5,200
Color Tile Fort Worth, Texas	488	416	830	840	4,500
Franks Nursery and Crafts Detroit	396	322	247	218	32,500
Glidden Cleveland	340	300	300	280	1,500
Standard Brands Torrance, Calif.	305	297	134	137	15,000
New York Carpet World* Southfield, Mich.	310	280	99	94	15,000
Sears Paint & Hardware* Chicago	125	NA	70	NA	3,500
Floor to Ceiling Rochester, Minn.	49	49	42	41	22,000
Wallpapers To Go Pleasanton, Calif.	47	47	93	87	5,000
U.S. General Plainview, N.Y.	40	35	34	30	5,000
Window World Merrick, N.Y.	35	30	21	18	7,500
Window Rama* Deer Park, N.Y.	32	27	25	22	4,000
Capitol Lighting East Hanover, N.J.	25	25	9	9	15,000
Broadway For Your Home* Kansas City, Mo.	15	13	2	2	36,000
Tool King Denver	8	6	7	7	4,000
Aboff's Paints And Wallcoverings Huntington, N.Y.	6	5	12	11	3,500
Yardbirds Irving, Texas	6	6	5	5	12,000
Toolathon** Totowa, N.J.	4	3	8	7	3,300
Plumbing Mart Dallas	3	2	5	5	4,000

**NHCN estimates.*
***The company filed for Chapter 11 in January 1988.*

Sources: company officials, *NHCN* estimates — *NHCN* chart

A number of specialty retailers—Color Tile, Frank's Nursery, Glidden—had strong sales gains in 1987. But for most specialty dealers, last year produced only marginal growth in both sales and store count.

Standard Brands Paint, the California-based retailer which gets 85 percent of its volume from DIYers showed just a 3 percent growth in sales. Standard Brands also closed three of its units last year. NHCN photo

Perspectives

annual census/retailers

Builders Square's sales doubled in 1987 while the chain added opened 31 stores. Pictured are Charles Blanton (r) and Don Meyers (l) who are contractors in the Detroit market. NHCN photo

Builders Square doubles sales, continues rapid store growth

By an NHCN staff editor

SAN ANTONIO, Texas — A nice even 100 percent.

That's how much Builders Square's sales jumped over 1986. The chain's sales growth—from $700 million to $1.4 billion—was second only to Handy Andy's sales increase of 117 percent.

"It was a good year; you can say that we were on target," said Jud Walford, executive vp.

But last year was probably even more significant for the industry's newest entrant to the billionaire's club. The K mart subsidiary purportedly made a profit last year, though K mart would not break the figure out and Builders Square officials would not comment.

Opens 31 stores

Builders Square continued its rapid unit growth last year, opening 31 stores in virtually every region of the country (with the exception of the Pacific Northwest and New England) to end the year as a 118-unit chain. In so doing, Builders Square acquired some noteworthy statistical descriptions: It's the fifth largest chain in industry sales; the seventh largest in store count and the fourth biggest employer in the industry with 11,000.

Builders Square began the year with a little drama when it announced its intention of invading the home base of Home Depot in Atlanta. This represented the first time consumers would have an alternative for warehouse shopping in Atlanta since the format was born and unveiled there in 1979.

In August, when Builders Square did open in Atlanta, appropriately enough with its 100th unit, it came looking for a fight. In a preopening ad blitz, Builders Square openly challenged: "Home Depot, we dare you to step outside with us." Later, the company ran promotions that told Atlanta's shoppers that they had been paying too much money for home improvement products for too long.

Enticed by Atlanta

Despite the aggressive advertising, company executives maintained that it was not Home Depot that attracted Builders Square to Atlanta. They said the strong retail performance in Atlanta and the city's demographics were more enticing.

But Frank Denny, Builders Square's founder and president, acknowledged that with the exception of Florida, Atlanta was the only market the company had ever entered where there existed a "well-entrenched, peer group competitor."

For independents in Atlanta, the slug fest between Builders Square and the Home Depot proved to be a boon for business, many of them insisted.

Nineteen eighty-seven was also the year Builders Square began to invest in state-of-the-art retail technology. With only seven buyers through most of 1987, the company began to take the first steps towards automating and simplifying its buying and internal communications systems.

While much of what the company envisioned would not materialize until the ensuing year, company planners outlined last year the intention to develop its own satellite communications and to have its merchandise, even lumber and building materials, bar coded.

Like the Home Depot, Builders Square saw a fatality occur in one of its units when a 23-month-old boy died from injuries he sustained in an Aurora, Ill., unit when a pile of lumber toppled on him in March.

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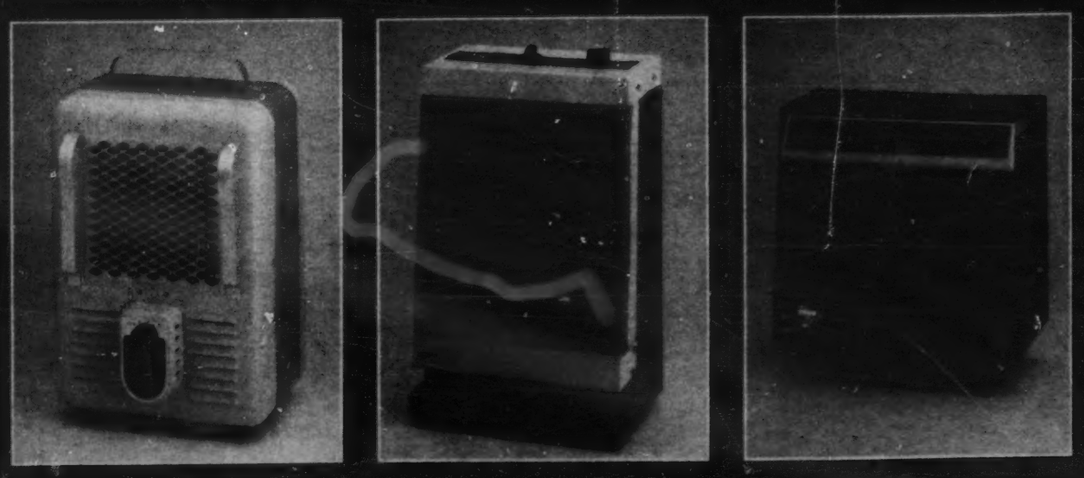

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Perspectives

Grossman's comes back after Ch. 11

By an NHCN staff editor

BRAINTREE, Mass. — With its Chapter 11 bankruptcy behind it, and a new management structure in place, Grossman's moved rapidly ahead during the year.

For the first time in two years, the chain showed a profit. Net income was $12.1 million for 1987, compared with a loss of $72.6 million for 1986 and a loss of $232.8 million in 1985.

Despite that, the retailer slipped one notch on the top retailer list, going from fifth to sixth place. Nevertheless, Grossman's corporate sales from its chains—Grossman's, Moore's, Grossman's West and Bargain Outlets—jumped 7 percent to $1.077 billion.

Last year, the company began a three-year, $75 million store renovation and building campaign. And in June, the chain's Western division opened its first new unit in three years, a membership warehouse.

Grossman's is probably doing the best job in the industry promoting home improvement projects, and has been particularly adept selling upscale kitchen and bath merchandise.

Opening of the 60,000-square-foot warehouse, with its 15,000-square-foot yard, had been delayed as Grossman's sought to resolve its financial problems.

Grossman's operates three other warehouses in southern California, which carry approximately 7,000 skus, and sell to consumers and contractors.

The Western division also began renovating selected stores in its 32-store operation, part of a three-year, $80 million renovation program company wide.

In the East, Grossman's opened a 34,000-square-foot prototype in Hanover, Mass., a store that symbolizes the chain's intent to be the dominant retailer in the Boston market.

Built at a cost of $3 million, the store stocks 15,000 skus, between 35 and 40 percent more than the average Grossman's. It was the first store opened after Grossman's emerged from Chapter 11.

Grossman's is probably doing the best job in the industry promoting home improvement projects, and has been particularly adept selling upscale kitchen and bath merchandise, with Kohler bath vignettes, custom kitchens, $2,000 exterior doors and $200 imported faucets.

The Moore's division of

(Continued on page 53)

Biggest Store Count Gain

Company	Number of Stores 1986	1987	Net Gain
Builders Square, San Antonio, Texas	87	118	31
Lone Star Hardware, San Antonio, Texas	0	28	28
Handy Andy, Schaumburg, Ill.	24	44	20
Hechinger, Landover, Md.	61	79	18
ACO, Farmington Hills, Mich.	48	64	16
Payless Cashways, Kansas City, Mo.	181	195	14
The Home Depot, Atlanta.	61	75	14
Scotty's, Winter Haven, Fla.	130	141	11
McCoy's, San Marcos, Texas	72	80	8
Westlake Hardware, Lenexa, Kans.	38	46	8
HomeClub, Fullerton, Calif.	28	36	8
Carter-Jones Lumber, Kent, Ohio	140	146	6

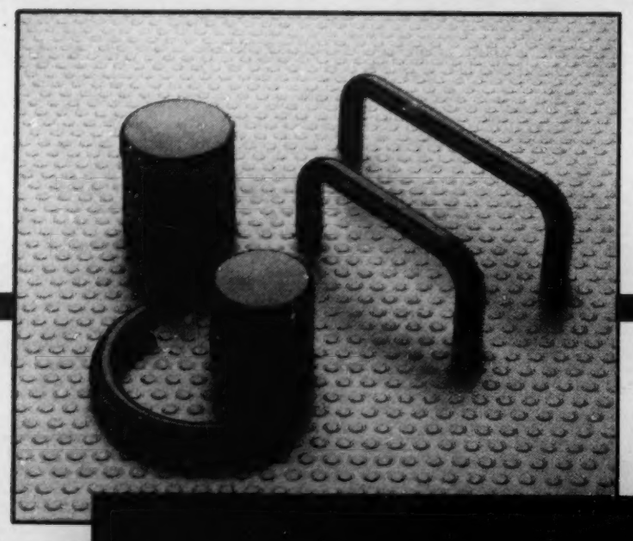
Source: *NHCN* research

Top Store Count Chains

Company	Number of Stores 1986	1987
Agway, Dewitt, N.Y.	700	700
Wickes Cos., Santa Monica, Calif.	397	376
B4 Lumber, Eighty-Four, Pa.	373	361
Lowe's Cos., North Wilkesboro, N.C.	300	295
Grossman's, Braintree, Mass.	272	258
Payless Cashways, Kansas City, Mo.	181	195
Channel Home Centers, Whippany, NJ	201	180
Carter-Jones Lumber, Kent, Ohio	140	146
Scotty's, Winter Haven, Fla.	130	141
Aubuchon Hardware, Westminster, Mass.	134	135
Lanoga, Redmond, Wash.	135	127
Builders Square, San Antonio, Texas	87	118

Source: *NHCN* research

America's Top Homecenter Retailers



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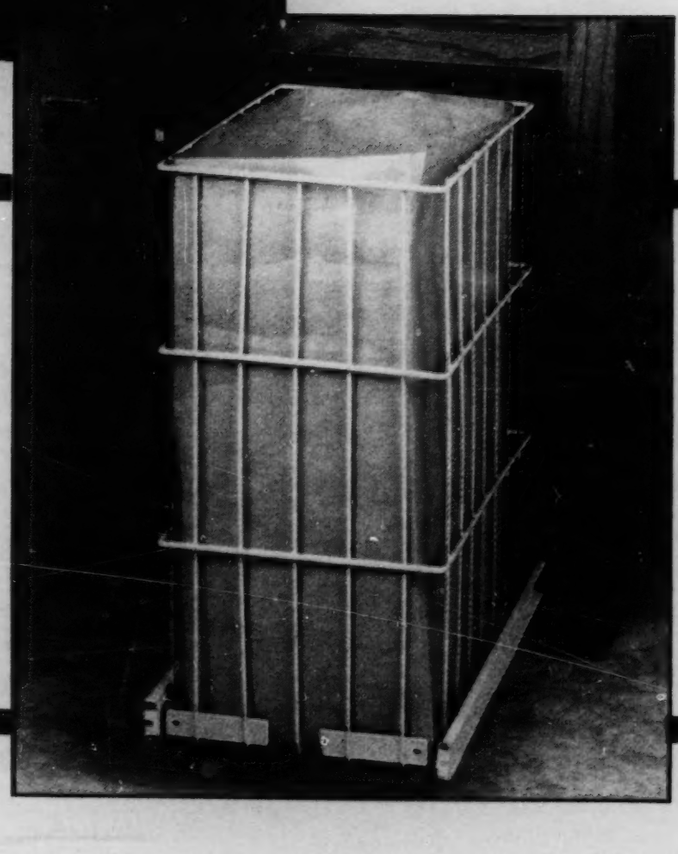

Bath Decor

Grossman's opened a 34,000-square-foot prototype last year in Hanover, Mass., a store that symbolizes the chain's intent to be the dominant retailer in the Boston market.

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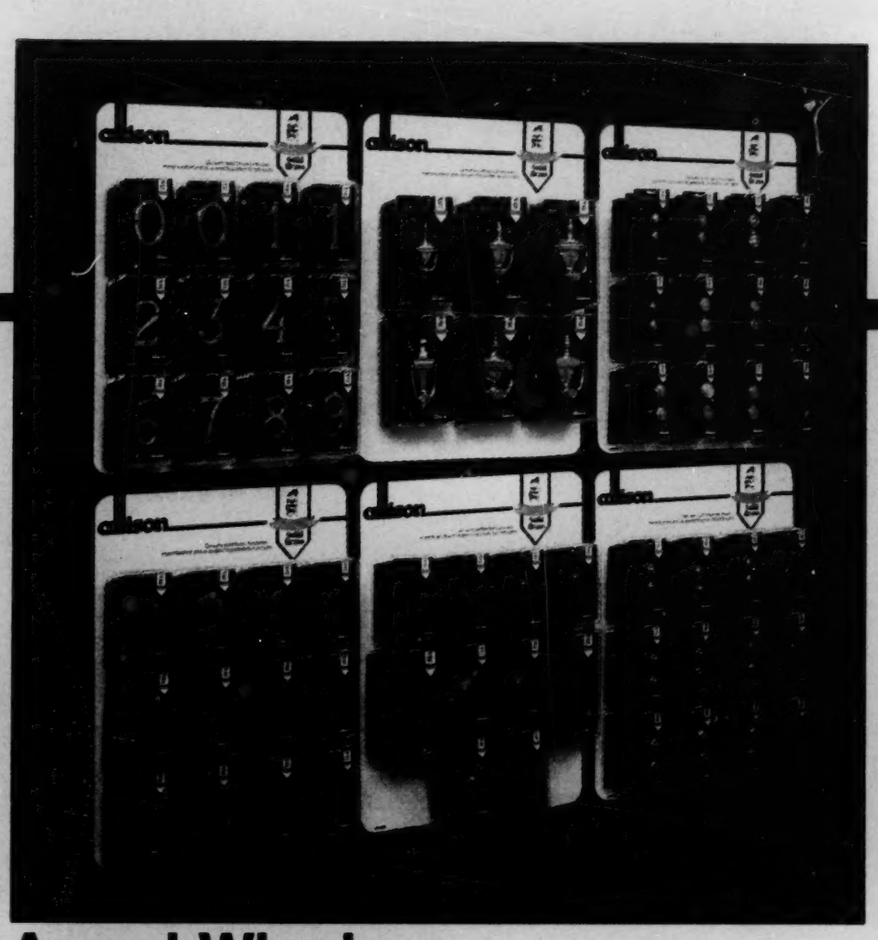

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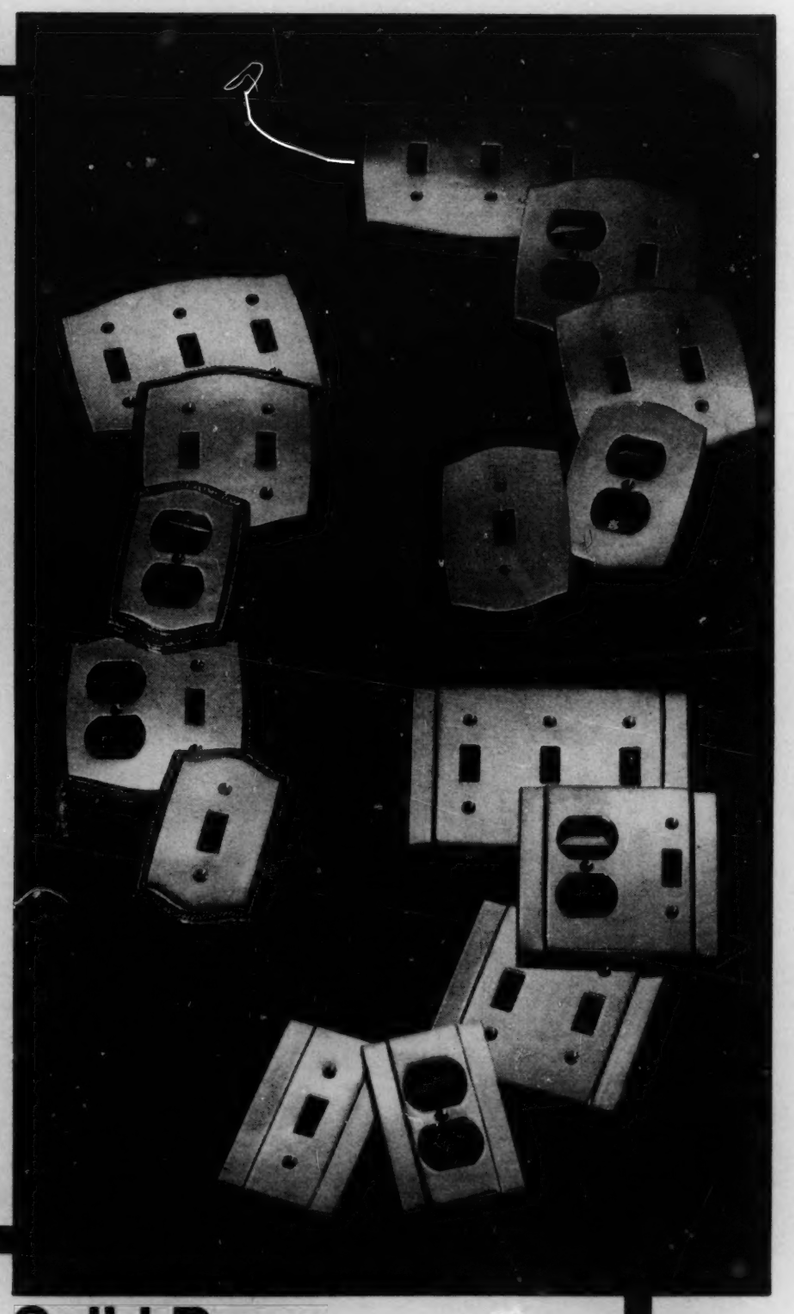

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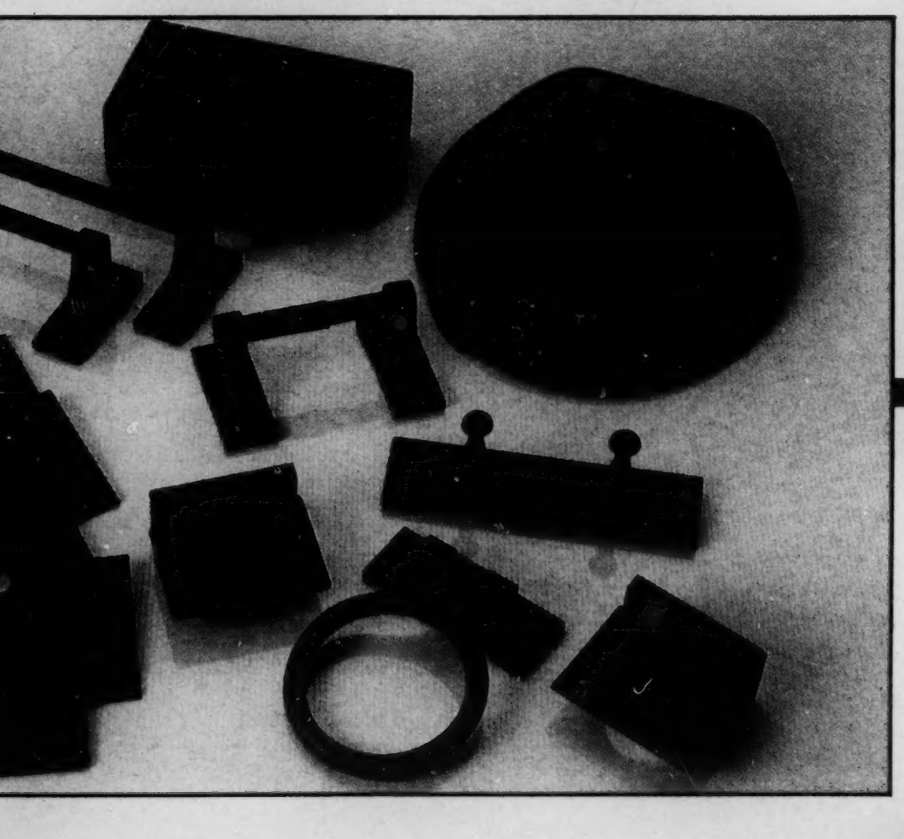

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Grossman's comes back after Ch. 11

(Continued from page 52)

Grossman's, an 83-store chain based in Roanoke, Va., saw a management reshuffling in July. The changes were apparently due in part to the resignations of Rob Roy, former vp-operations and Jim Schaffer, former vp-merchandising. The company moved in one of its long-time executives, Norman Darrer, who returned to Grossman's after an unfortunate "hiatus" running the now-defunct Mr. HOW Warehouse operation.

As it moved to expand and upgrade its stores, Grossman's also moved to rein in its selling and administrative expenses. Those expenses were slightly higher for fiscal 1987, rising to $267.6 million, from $254.6 million in 1986, but represented a lower percentage of sales for the year than in 1986.

Helping Grossman's along financially was a $50 million, five-year, revolving credit agreement, signed late in the year at a lower interest rate than the company's previous credit line.

Helping Grossman's along financially was a $50 million, five-year, revolving credit agreement, signed late in the year at a lower interest rate than the company's previous credit line.

Grossman's obtained $48 million in revolving credit at an interest rate of 0.5 percent above the prime rate. Previously, Grossman's had paid interest of 2 percent above the prime rate.

As a footnote in the company's history, the Lindsley Home Centers operation in Miami, which was kept out of the Grossman's corporate structure after the company reorganized from Chapter 11, was sold off to Westlake Hardware's Lone Star Hardware subsidiary in San Antonio, Texas.

Perspectives

annual census/retailers

Channel consolidates after management led buyout

By an NHCN staff editor

WHIPPANY, N.J. — Following a $246 million leveraged buyout by senior managers, Channel Home Centers began a program of consolidation and store upgrading.

The chain also sought to improve its reputation among consumers who, by the chain's admission, have viewed its stores as being too high priced compared to the competition.

Channel, which ranked 9th in sales last year, announced plans to expand by 15 stores in 1987. But, by closing some units, Channel finished the year with 180 stores, down from 201 in 1986. And the company is projecting it will have 170 stores by year end.

Some 18 Handy City and Houseworks units were closed in Channel's San Antonio, Texas-based Central Region. The closing included stores in North and South Carolina, Florida, and Georgia.

By closing its stores in the Atlanta area, Channel put itself out of business in Georgia.

Despite the streamlining, however, Channel's sales were flat for the year at $725 million, according to executive vp-administration Charles Tabak.

Seeking to put the best face on the closings, company spokesman Ann Plaut indicated that some of them might be temporary. And she stressed that the closings stemmed from a strategic plan developed by Channel's former parent, W.R. Grace.

At the same time it was closing units, Channel opened some and remodeled others.

One new store opened in Annapolis, Md., in June. Its 50,000-square-foot format was a prototype for new Channel stores and helped boost the chain's average square footage in 1987 to 45,000 from 41,000 in 1986. The new stores also featured wider aisles, brighter lighting and a different type of flooring.

Channel also remodeled nine Handy Dan stores in the Houston area, to make them look more like the chain's Eastern units.

Stockkeeping units were added in various departments, to bring the total number to Channel's typical 25,000. Automotive departments were added in the Handy Dans and housewares departments were expanded with broader merchandise assortments.

To service its Southern stores, Channel also opened a 400,000-square-foot distribution center in Houston. The center is four times the size of its former DC in San Antonio.

84 Lumber moves back to contractors

By an NHCN staff editor

EIGHTY FOUR, Pa. — After a sluggish 1986, 84 Lumber's sales jumped 20 percent to $821 million in 1987.

The increase put the company in the 7th spot among the top home improvement retailers, up from 8th in 1986.

Jay Mitchell, 84's director of public relations, attributed the dramatic growth to the company's movement back toward its contractor customers. The company also announced it would sell 14 closed stores in such unprofitable markets as Texas and Louisiana, reaping about $300,000 per store.

The chain had 361 stores in 1987, compared with 373 in 1986. The projected store count for 1988 was up slightly to 369.

Part of 84's reinvigoration also was attributable, apparently, to its chairman Joe Hardy taking a much more active role in the company's operations over the previous 18 months. Hardy, who for a period in the early 1980s appeared to be phasing himself out of the corporate picture, is now said by vendors and company insiders to be holding the reins again.

Hardy's influence can be seen most readily in the chain's turning back to its traditional customer, the contractor. As expected, 84's percentage of sales from retail transactions dropped dramatically in 1987, to 20 percent from 60 percent in 1986.

The change was part of the company's strategy during its 30th anniversary year to reembrace contractors.

As a result of its growth, 84 added employees in 1987, going from 2,800 in 1986 to 4,500.

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Circle 41 on Reader Service Card

Perspectives

annual census/retailers

Hechinger expands, buys Home Quarters Warehouse

The purchase of HomeQuarters Warehouse, a former W.R. Grace subsidiary purchased in a leveraged management buyout in December 1987, marked the third different approach Hechinger has taken to employ the warehouse format.

By an NHCN staff editor

LANDOVER, Md. — Hechinger took another step into warehouse retailing in 1987, a year that saw the company embark on its most aggressive expansion.

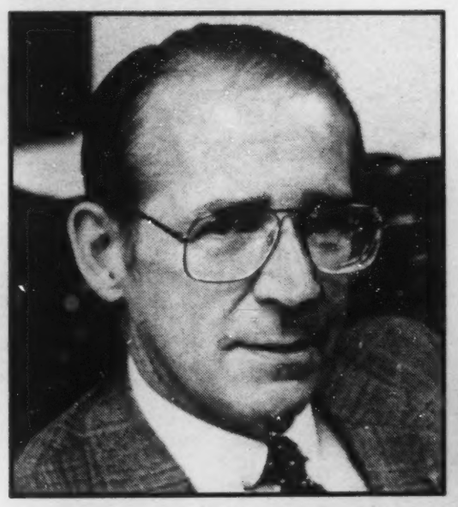
Hechinger bought Home Quarters Warehouse, built a 310,000-square-foot distribution facility and grew by 18 new stores—some in new markets. The company also went to Wall Street and raised $100 million in convertible debentures to finance its growth.

For all of its efforts, the company's revenues increased 23 percent from $588 million to $725 million, ranking the chain eighth among home improvement retailers.

The purchase of HomeQuarters Warehouse, a former W.R. Grace subsidiary purchased in a leveraged management buyout in December 1987, marked the third different approach Hechinger has taken to employ the warehouse format.

This dates to the much ballyhooed joint venture between Hechinger and K mart to open warehouse units under the name "Home Team" in 1984, a collaboration that shortly afterwards dissolved.

But Hechinger continued on internally with its own warehouse plans. The company



Philip Mansfield, executive vp of Hechinger, retired in 1987 after 18 years with the company. NHCN photo

pulled the plug on developing warehouse units in the spring of 1986 and gave Wall Street a number of reasons for doing so.

To the surprise of the industry, Hechinger gave the warehouse format a third go-round when it bought HQ for $66 milion in December and kept Frank Doczi on as president and ceo of the warehouse operation.

The purchase of HQ capped off a year of vigorous expansion for Hechinger. It grew from its traditional Middle Atlantic region to a chain that now sprawls from New England to North Carolina. In between, it has stores in upstate New York, Philadelphia's outskirts and suburban Pittsburgh. It moved into such new markets as Rhode Island, Connecticut, Delaware, West Virginia and Long Island.

Amid the expansion, the company announced its desire to build a regional distribution facility somewhere in the Northeast.

Some of the new stores the company opened would be the first to include Hechinger's new decorator services departments. In March, the company announced that the new department would be anchored in service desks off the main power aisles and staffed by a full-time interior designer to consult with customers.

The company sustained a major personnel change late in the year when Philip Mansfield, its executive vp, announced his retirement, ending an 18-year career with the company. Although he said he wanted to travel while he and his wife were still healthy, Mansfield will serve as a consultant in strategic planning for at least two years.

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Perspectives

annual census/retailers

HomeClub adds eight new units, sales rise 40 percent

By an NHCN staff editor

FULLERTON, Calif. — The year 1987 began auspiciously for HomeClub, the warehouse home center chain.

Questions about the company's profitability continued to be raised. And the last vestiges of its entrepreneurial management disappeared when executive vp George Handgis left the chain for sunnier climes in Hawaii that February.

As it turned out, though, 1987 was a very good year for the 36-unit chain. It added eight new warehouse units. Its sales grew more than 40 percent to an estimated $650 million (based on a calculation, provided by HomeClub's vp-finance Murray Wachtenheim, that each of the 28 stores that were opened for the full year averaged $20 million in volume, and the other eight—opened for six months—$10 million per unit.)

More important, in the 12 months ended Jan. 31, the chain showed a fiscal-year profit for the first time in its four-year history, according to its president, Herb Zarkin, who came on to replace the chain's founder Bob McNulty after the latter departed from HomeClub in 1986.

It appears Zayre, HomeClub's parent, is pleased enough with HomeClub's results to fund what Zarkin's estimates will be a 12-unit to 15-unit expansion in 1988, when HomeClub's volume should exceed $1 billion. Phoenix is one market the company will expand into.

Early in 1987, HomeClub settled a complaint made by California's attorney general that the chain wasn't making nonmember consumers sufficiently aware of the 5 percent extra it charged them to buy products in its stores.

That didn't deter HomeClub from solidifying its position in southern California with an aggressive television advertising campaign that compared its pricing with competition ranging from K mart to National Lumber and Builders Emporium.

The ads were developed by Admarketing, an agency based in Los Angeles that is the first HomeClub has aligned itself with.

It appears Zayre is pleased enough with HomeClub's results to fund what will be a 12-unit to 15-unit expansion in 1988, when HomeClub's volume should exceed $1 billion.

In early 1988, the company extended the use of this ad campaign into El Paso, Texas, where the chain opened two units last year. The El Paso stores each have 9,800-square-foot nurseries.

The $10 million campaign will also find its way into the Denver-area market, where HomeClub opened a 92,000-square-foot warehouse unit in Englewood last year. The chain has three stores in this market.

Internally, analysts who follow the company observed that HomeClub appeared to have inched its gross margins upward in order to enhance its profitability last year. It cannot be said, though, that the company shucked its low-price image.

In the stores, the chain made $8 million in capital expenditures in 1987, which included the installation of an IBM 3083 system, and replacement of all the stores' cash registers. Capital expenditures for the next two years will be $12 million, said Zarkin.

The chain's president also instituted a more relaxed management style into HomeClub's operations, reducing managers work week to five days from six.

Operationally, HomeClub's expansion into far-flung markets—Seattle, El Paso, Albuquerque, Denver and California—caused the company to reconsider its direct shipment policies and contracted W.R. Grace's Distribution Services division to serve as the chain's distribution center for a handful of products.

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Circle 043 on Reader Service Card

Perspectives

annual census/retailers

Despite fewer units, Sutherland reports 5% gain in sales

By an NHCN staff editor

KANSAS CITY, Mo. — Sutherland Lumber, the family-owned chain, posted higher sales in 1987 and expanded its project-oriented advertising.

Although the number of total units has declined over the years, Sutherland ranked 11th overall in sales among the top home centers listed in *NHCN* chart this year.

Sutherlands, a company with five principal family owners and as many as 25 family members involved in its operation, produced estimated sales of $635 million last year from a total of 83 units, up from $605 million in sales in 1986 with 86 units. The 1987 gain of 5 percent was consistent with the last three years since the explosive 1983-1984 season when sales rose 24 percent from 100 stores. Company officials declined to comment about the performance of the chain last year.

While Sutherlands hasn't changed it average 10,000-square-foot unit size, officials report some units expanded offerings in RTA furniture and seasonals. Total product in some units have grown to 14,000 skus from the average 12,000 skus. In addition, Sutherlands, in different parts of the country, has had success running larger, "Warehouse Plus" stores that, by *NHCN*'s estimate, are in the 40,000-square-foot range.

The product increase was reflected in a new look to Sutherland's advertising last year. Advertising is one of the sole functions that is done centrally in the company, and it took a decidedly aggressive tack towards project marketing.

The chain began using four-color, glossy inserts for its RTA furniture advertising. More visible was the advertising's message. In almost every one of its weekly tabs, Sutherlands made a big push for project marketing across a wide variety of product categories.

While *NHCN* could not confirm it with senior Sutherland management, the chain reportedly had second thoughts and cancelled plans about entering the Cincinnati market last year. It is still unknown whether the chain was unable to sell three shuttered California stores.

Menard's sales rise 30 percent to $590 million

By an NHCN staff editor

EAU CLAIRE, Wis. — Menard Cashways, one of the strongest retailers in the upper Midwest, boosted sales by more than 30 percent last year, even though much of the market it serves suffered from sagging agricultural and energy economies.

The privately-held chain added four new units last year and posted sales of $590 million, according to chairman John Menard, up from $450 million in 1986, making the chain the 12th-largest among home improvement retailers.

One of the reasons for the growth could have been its aggressive pricing and a "new appeal" to the decorative sell.

An early-year survey by a Minneapolis television station pointed to Menard's as having the brand name products it was looking for.

In addition, WCCO-TV found Menard's prices the lowest of five retailers, including Builders Square, by a market-basket savings of 26 percent.

Emphasis on displays

On the store floor, vendors reported that Menard's put more emphasis in its merchandising displays this year, increasing sales of decorative and higher-end products.

In total, the retailer opened four new units last year, including its first 62,000-square-foot store in Bismarck, N.D. Stores in the now 38-unit chain average 70,000-square-feet and stock an estimated 50,000 stockkeeping units.

And, in the Midwest, where chains ranging from Builders Square to Knox Lumber to Lampert Lumber promote their products and image heavily, Menard's kept pace, particularly in television advertising. The chain, according to the Television Bureau of Advertising, boosted its TV ad expenditures 46 percent in 1987 to $1.9 million, which ranked the company 9th among home improvement chains.

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Circle 44 on Reader Service Card

Perspectives

Scotty's ventures outside Fla., but expansion impacts earnings

By an NHCN staff editor

WINTER HAVEN, Fla.—Last year Scotty's, the industry's 13th largest chain, surpassed $500 million in annual sales for the first time. The 141-unit company also made its first venture beyond the Florida border with a home center in Georgia and more planned for Alabama.

Scotty's expansion plan, however, continued to bite into its earnings, and for the fiscal year the chain's net income declined to $10.3 million, down 24 percent from 1986. The record sales of $528 million were 4.3 percent higher than the previous 12 months.

Although the retailer closed seven marginally profitable home centers, 12 were added and four were remodeled. Twelve hardware stores were also added, bringing its hardware store total to 28. The hardware stores, according to Scotty's 1987 annual report, have performed well since their introduction four years ago. Scotty's has plans to open 20 additional hardware stores in 1988.

On the home center front, the company opened some 600,000 square feet of new selling space. The annual report states that the full-line stores achieved annual average sales of $4.4 million each. Sales per transaction averaged at $18.55, with sales per square foot at $108.84.

Scotty's operating expenses were reported to have increased by 7 percent. Liability insurance made up the lion's share of this with a 66 percent increase over the previous fiscal expense.

Meanwhile, Scotty's hopes its capital investment translates to higher earnings in 1988. Since 1985, the company has put $100 million into an aggressive capital expenditure program initiated to bolster the foundation of a company that has seen its competition rise.

Company president Dennis Stults said last October that he saw expenditures paying off, and that he forecasted a better year in 1988.

Meanwhile, in November, GB-Inno-BM, Belgium's largest retailer, filed a document with the SEC stating its intention to boost its holdings in Scotty's beyond 26 percent of the chain's common stock. This represents a strategy change for GB-Inno, which has said that its Scotty's holdings would not exceed 26 percent.

Alfred Bienfait, a GB-Inno executive, explained at the time that the price of the stock was low and the dollar was low, hence the decision. Between Aug. 1 and Oct. 26, GB-Inno brought its total holdings up to 25.996 percent.

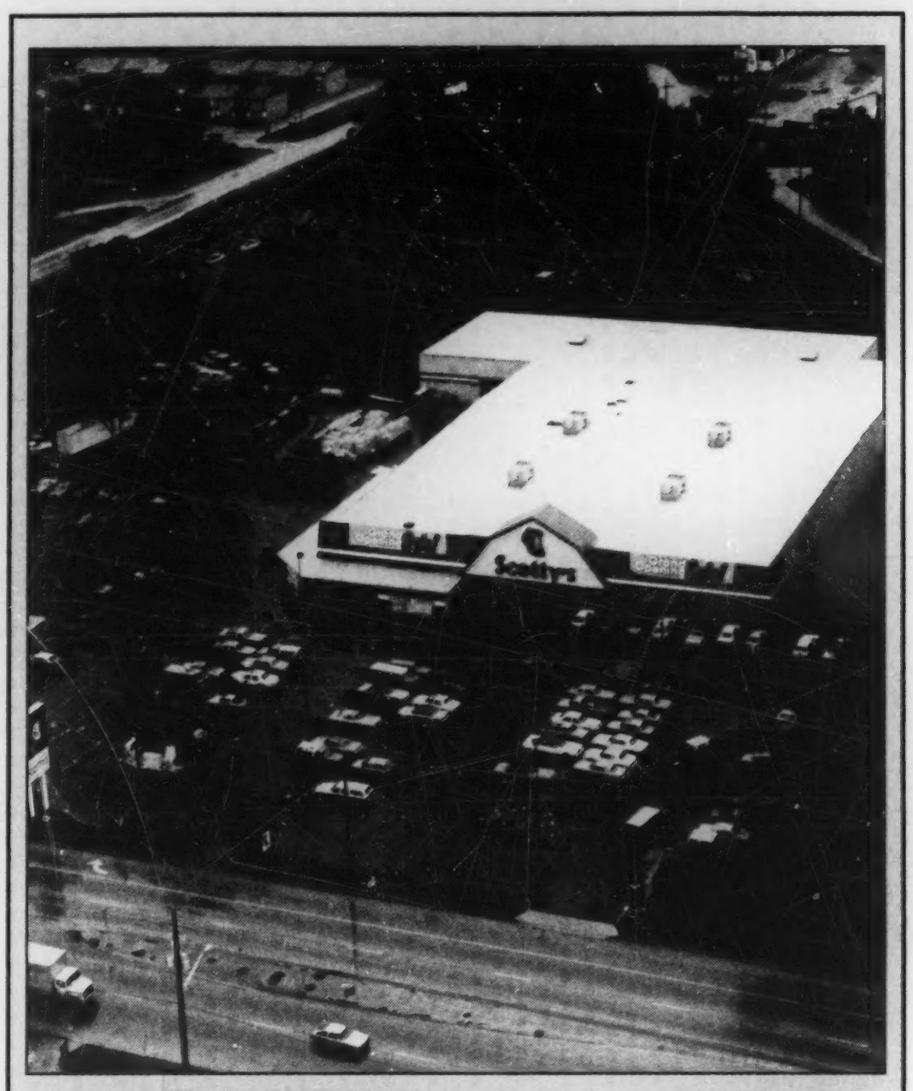
Harold Taylor, Scotty's chief financial officer, noted the change and said that Scotty's has no legal agreement to the limit of shares that Inno could purchase. He said that contact with Inno revealed that it had no intention of taking over Scotty's.

Operationally, the chain took an aggressive ad posture in 1987. On the air, Scotty's used commercials that addressed the problems of moving into new states while broadening its appeal on home turf in Florida. The Florida chain created two different 30-second spots to introduce itself to Macon, Ga. Another first saw Stults make his television debut as a corporate spokesman.

Some innovations that occurred during the year included the "triple-play" circular, a trifold insert that attracts attention from its unique overlap. The triple play is circulated in all markets roughly every two to three months.

Another reason for the aggressive stance, according to Bob Fant, advertising director, is that some 988 new residents move to Florida daily—a vast number of people who need to be introduced to Scotty's.

The year also brought the completion of Scotty's high-cube warehouse, a highly efficient distribution center which capitalizes on 41-foot-high racking. The narrow aisles are negotiated with a computerized Turret side loader that stocks merchandise into the racking each time it goes into the aisle to retrieve an order.



Scotty's opened 600,000 square feet of new home center selling space last year. The company's annual report states that the full-line stores achieved annual average sales of $4.4 million each. Sales per transaction averaged at $18.55, with sales per square foot at $108.84. NHCN photo

Scotty's added twelve hardware stores this past year, bringing its hardware store total to 28. The hardware stores, according to Scotty's 1987 annual report, have performed well since their introduction four years ago. Scotty's has plans to open 20 additional hardware stores in 1988. Pictured is the St. Petersburg, Fla., unit. NHCN photo

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B ☐ Home Center
C ☐ Mass Merchandiser
D ☐ Wholesale Club
E ☐ Lawn and Garden
F ☐ Building/Lumber Supply
G ☐ Automotive
H ☐ Other: (Specify)

WHOLESALER/ DISTRIBUTOR
J ☐ Independent w/member stores
K ☐ Independent wholesaler
L ☐ Co-Op

M ☐ **MANUFACTURER**
N ☐ **MANUFACTURERS AGENT**
P ☐ **IMPORT/EXPORT**
Q ☐ **OTHER: (Specify)**

2. TITLE/ FUNCTION
A ☐ Owner/CEO/President
B ☐ V.P./G.M./Director
C ☐ Merch. Mgr.
D ☐ Buyer
E ☐ Sales
F ☐ Other: (Specify)

3. NUMBER OF STORES
A ☐ One store
B ☐ 2-4 stores
C ☐ 5 or more stores

4. TOTAL ANNUAL SALES
A ☐ Up to $499,999
B ☐ $500,000 to $1,000,000
C ☐ $1 to $5 Million
D ☐ Over $5 Million

5. PRODUCT INTEREST
A ☐ Hardware
B ☐ Lawn and Garden
C ☐ Housewares
D ☐ Hand and Power Tools
E ☐ Automotive
F ☐ Plumbing
G ☐ Electrical
H ☐ Bldg. Supply Materials
J ☐ Heating/Cooling
K ☐ Outdoor Living
L ☐ Sporting Goods
M ☐ Paint/Sundries
N ☐ Wall Coverings
P ☐ Floor Coverings
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U ☐ Kitchen Cabinets
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Perspectives

annual census/international

THE 10 LEADING BRITISH HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
B&Q	1,196*	201	34.0
Texas Homecare	655	147	25.6
Payless DIY	345	70	26.2
Do-It-All	270	64	25.3
Homebase	241	28	45.0
Great Mills	206	53	26.6
Fads	156	207	3.5
Wickes	153*	24	21.9
Decor	64*	182	2.1
Sandfords	50*	12	33.2

*NHCN estimate

THE 10 LEADING FRENCH HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
Castorama	808	80	47.5
Leroy Merlin	359	36	37.6
M. Bilcolage	217	170	9.4
OBI France	215	35	24.6
Euroloisis	136	23	25.8
B3/Gagmi	56	53	8.9
Bricogitel *Art du Bricol*	94	29	14.9
Briker	86	15	24.8
Bricorama	67	21	16.1
Bricofrance	47	24	9.9

THE 10 LEADING GERMAN HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
OBI	611	157	26.4
Asko Group	434	80	28.5
Bauhaus	361	80	26.9
Massa	306	24	38.1
Coöp	194	76	18.4
Max Bahr	178	37	29.1
Stinnes	167	37	22.4
Hagebau	108	59	13.7
Interpares	94	59	12.2
N.B.	69	39	16.0

OTHER EUROPEAN HOMECENTER LEADERS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
GB Inno BM, *Belgium*	219	78	8.9*
Migros, *Switzerland*	200	35	24.2
Baumax, *Austria*	107	31	19.7
Coöp, *Switzerland*	67	33	15.4
Bauhaus, *Austria*	67	13	29.7
Wickes, *Belgium*	28	11	16.2*
Brico Center, *Italy*	NA	3	37.6*

Source: Presentation by Harold Lux to Worldwide DIY Council. Calendar year 1986; U.K. updated to calendar 1987

This DO IT ALL store in Borehamwood, England, is part of the third-largest British DIY chain. NHCN photo

Consolidation, expansion mark international DIY retailing

By an NHCN staff editor

INTERNATIONAL REPORT — DIY is clearly a worldwide phenomenon, with strong activity in Europe and Japan as well as Australia and North America.

Rapid expansion and consolidation, which have recently characterized the U.S. market, are evident abroad as well, particularly in Europe.

France's largest DIY company, Castorama, for example, plans to expand across national borders for the first time this year when it opens a Milan, Italy, unit in December.

Similarly, GB-Inno, which operates the Brico stores in Belgium, already holds a stake in OBI, France; Homebase, England; as well as Scotty's and Handy Andy in the Unite States. The company is now venturing into Spain for the first time.

Indeed, Spain and Italy, where DIY activity has been more moderate, now seem poised for rapid growth.

British companies, in particular, are looking at the Continent as a place to expand. There is already a lot of acquisition activity in the U.K. For example, A.G. Stanley, which operates Fads stores, last year acquired Decor 8 and Home Charm. Currently, Ward White, which owns Payless DIY, the U.K.'s third largest home center operator, is attempting to take over A.G. Stanley.

Operators in every country seem to be grappling with issues of customer service and store productivity. Japanese retailers appear to be getting the most out of their stores, compared to other international home improvement dealers.

Based on *NHCN* research, the Top 20 home improvement chains in Japan, led by the 38-unit Viva Home operation, ran stores that averaged only 2,430 square feet. But these units each produced a remarkable average of $7.86 million in annual sales.

Compare that with the top 10 French home centers, which average around 22,000 square feet—nearly 10 times the size of Japan's stores—but which generate $4.23 million per unit per year. However, the Castorama chain, one of Europe's largest, has 80 stores that are typically more than 47,000 square feet and produced average per-unit revenues in excess of $10 million.

In Germany, where the top 10 companies did an aggregate $2.52 billion in sales in 1986—slightly more than Lowe's 1987 volume—sales per store were $3.89 million from units which average 23,170 square feet. And based on the performance of its top 10 chains at least.

Compared with the U.S., however, European operators may be more profitable, because the high cost of real estate requires a greater return.

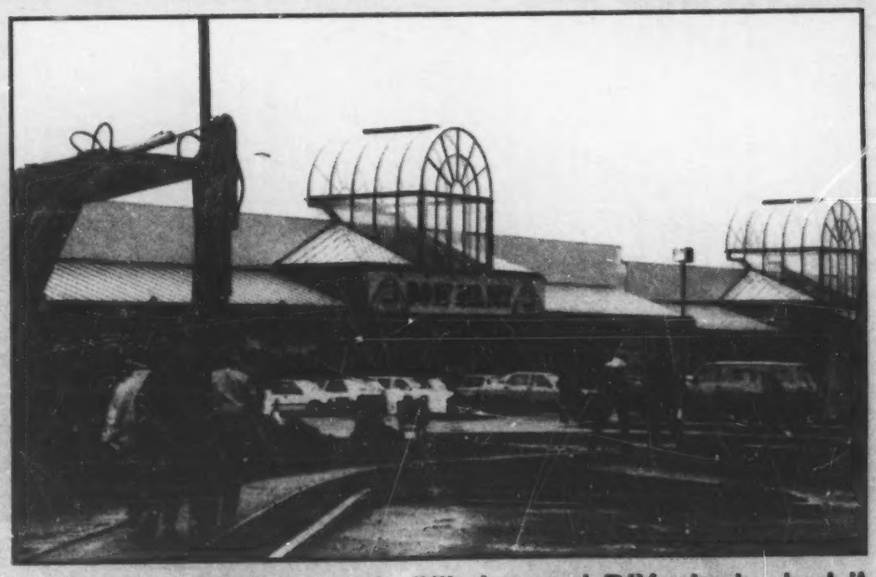
A random sampling of other European retailers finds their stores' sales production running the gamut from the $5.7 million per-unit average generated by Switzerland's Migros operation and $5.5 million Wickes gets from its 11 Belgian stores to the $2 million produced by each of Coöp's 33 stores in Switzerland.

The 20 Leading Japanese Home Center Groups

Name	Total Sales ($ Million)	Percentage Sales Growth	Number of Stores	Average Size (000 Sq. Ft.)
Viva Home	409.2	9.9	38	3.7
Iseya	346.9	12.8	56	3.8
Keiyo	333.1	32.0	42	5.8
Kahma	305.4	12.5	26	3.6
Tokyu Hands	290.7	18.1	6	3.0
Joyful Honda	216.1	10.2	5	0.9
I World	192.3	4.2	10	1.7
Hinode	143.1	11.4	16	3.0
Ishiguro Home	142.3	26.7	15	1.9
Encho	133.1	11.6	8	1.2
Juntendo	127.7	20.3	101	5.5
Sunday	124.6	13.3	21	1.9
Shimachu	124.6	21.8	15	1.7
Kanseki	122.3	18.7	18	1.8
Yamashin	116.9	9.0	10	1.3
Daio	112.3	19.5	4	0.7
Mr. Max	110.0	40.9	13	1.8
Komeri	104.6	19.8	38	2.7
Sekichu	103.8	5.6	13	1.3
Oskar	103.8	17.4	11	1.3

$ = 130 Yen

Source: Diamond-Lebhar Research *NHCN* chart



Tokyu Hands is Japan's fifth largest DIY chain, but it stocks items unfamiliar to most U.S. DIY stores. NHCN photo

Perspectives

annual census/retailers

Despite 'distractions,' Pay 'N Pak has profitable year

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak, in the words of its chief financial officer Doug Southern, was "in play" for most of 1987, and the attempt by a Florida investor to take over the chain colored its business all year.

The 100-unit company saw its sales increase by nearly 8 percent for the year ended Feb. 29 to $429.1 million. And last year Pay 'N Pak's profits rebounded strongly after several quarters of earnings declines. "Considering all the distractions we had, 1987 was a very good, profitable year," said Southern.

Those "distractions" most prominently included a hostile takeover bid by Paul Bilzerian, president of Bicoastal Financial Corp. in Tampa, for $171 million.

This bid was raised no less than four times and culminated in Bilzerian attempting to purchase 4.1 million shares of Pay 'N Pak's stock last July, only to have his broker, Morgan Stanley, cancel the trade.

The New York Stock Exchange investigated this cancellation and eventually ruled in favor of Bilzerian. But by that time, nearly all of the chain's stock had been tendered to Rosewood Holding Corp.—the management group formed to block Bilzerian's bid with a leveraged buyout—and its bankers Citicorp and Salomon Brothers.

Bilzerian gave up his bid, and Rosewood—now called PNP Prime—completed its $212.5 million purchase of the company last month. The successful buyout further strengthened the control of Pay 'N Pak by its chairman, David Heerensperger.

During all this tumult, which included separate lawsuits filed against the chain by Bilzerian and some shareholders, Pay 'N Pak released detailed projections of its sales and earnings through 1991.

The report, prepared by Salomon, estimated that the chain's sales would jump from $398.1 million in 1986 to $654.1 million in 1991, with net income growing 160 percent in 1987 to $15.1 million, and steadily each year to $30.6 million in 1991.

In the study, Pay 'N Pak projected it would be closing a number of stores over the following several months. And, indeed, the company shuttered eight unprofitable units (including its Denver area sites) in January 1988 as part of its streamlining efforts.

However, the company also moved into southern California for the first time early last year with a 63,500-square-foot unit in Indio. In this store, which then vp-marketing Richard Friel called "a jewel in the chain," a customer lounge was introduced, and carved out a spacious area for displays of upscaled furniture in a setting complete with carpeting, trac lighting and electronic entertainment centers.

It was difficult to get a fix on what direction the chain's in-store presentation was taking, however. Last summer, Pay 'N Pak remodeled its 56,000-square-foot flagship unit and removed most of its warehouse racking. The unit's sign, which previously called the store a "Warehouse Outlet" now said "Pay 'N Pak Home Centers."

Amid all this activity, one thing remained constant at Pay 'N Pak: Its antitrust suit with Thurman Industries (which dates back to 1984 and has cost Pay 'N Pak $700,000 a year) dragged on. It does appear this will finally be heard sometime in 1988.

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Management keeps Rickel intact after LBO

By an NHCN staff editor

WOODBRIDGE, N.J. — In 1987, Rickel Home Centers became part of a leveraged buyout of Supermarkets General by its management.

Chuck Davis, president and ceo of Rickel, and five other senior managers purchased the giant retailer for $1.5 billion to fend off a takeover attempt by the Dart Group.

The managers were backed by Merrill Lynch Capital Partners. The investment group bought 80 percent of Rickel's 40 million outstanding shares for $46.75 each.

Robert Wunderle, Supermarket's staff economist, insisted that the company planned to keep Rickel intact.

"There has been no intention to divest Rickel," he said. "When the Dart offer first came, people said we would spin off Rickel, but there has never been any substantiation of that."

And indeed, early this year, Supermarket's reaffirmed its commitment to Rickel by announcing that the home center chain had begun construction on three stores slated to open in 1988.

The stores to be opened are in Howell, N.J.; Newington, Conn.; and The Bronx, a borough of New York City.

In November, Rickel opened its 49th store in Selden, N.Y., on Long Island.

From $416 million in 1986, Rickel's earnings grew, by *NHCN* estimates, 12 percent to $466 million, making it the 14th largest home improvement chain.

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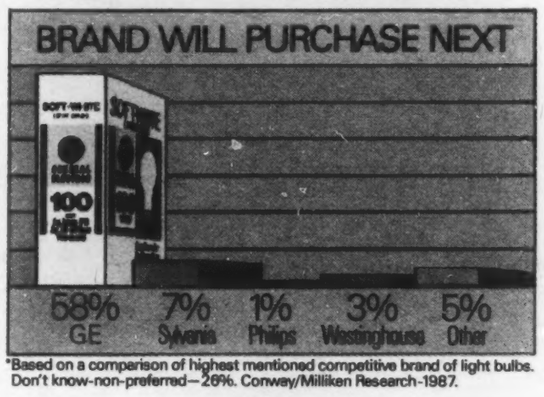

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

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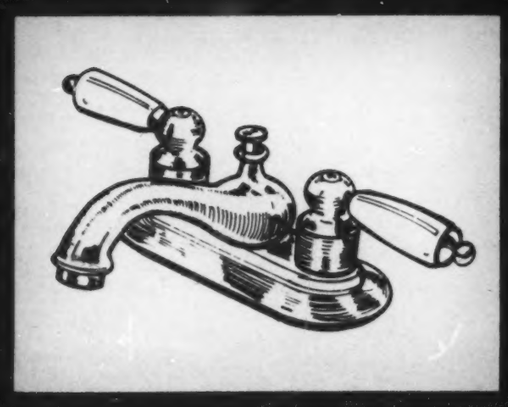

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Perspectives

How this year's Top 180 chains place in total and DIY sales

Company	Sales Rank	DIY Rank
ACO	47	34
Agway	31	176
Alamo Lumber	163	112
Alexander Lumber	48	74
All American Home Center	132	63
Anderson Lumber	46	71
Aubuchon Hardware	59	36
A.C. Houston Lumber	53	127
A.H. Angerstein	154	179
Babbitt Brothers	127	113
Babcock Building Supply	135	105
Bailey Lumber	171	128
Bellevue Builders Supply	80	87
Big Tin Barn	121	139
Boise Cascade	32	64
Braver Lumber	137	82
Brown-Graves	60	60
Buena Park Lumber	175	155
Builderama	133	79
Builders General Supply	110	146
Builders Square	5	5
Builders Supply	124	160
Busy Beaver	61	35
C & C Building Supplies	160	120
Calcasieu Lumber	158	173
Carter-Jones Lumber	23	24
Causeway Lumber	96	133
Central Hardware	19	17
Champion Lumber	125	162
Channel Home Centers	8	9
Chase-Pitkin	67	41
Church's Lumber	64	46
City Mill	108	58
Coler Brothers	143	157
Conklin & Strong	164	92
Consolidated Lumber	146	141
Continental Lumber	134	163
Copeland Lumber Yards	34	53
Courtesy Home Centers	56	32
Cox Lumber	66	100
Cramer's Building Centers	169	99
Crissey-Fowler Lumber	114	147
Curtis Lumber	76	72
Daniels-McCray Lumber	153	171
Diamond Lumber	24	47
Dixieline	33	42
Dooley's Hardware	174	140
84 Lumber	7	19
East Coast Lumber	77	125
Eclipse Industries	68	38
Economy Lumber & Hardware	170	119
Edward Hines Lumber	40	54
Elk Supply	156	88
Erb Lumber	20	22
Ernst Home & Nursery	22	18
E.C. Barton	123	118
Fagen's	71	94
Fairfield Lumber	97	165
Fingerle Lumber	113	130
Foxworth-Galbraith	35	39
Friend Building Centers	167	117
Fullerton Lumber	116	177
Ganahl Lumber	79	142
General Builders Supply	161	170
General Building Products	63	70
General Building Supply	85	122
Gerrity Building Centers	26	66
Goodman's Lumber	82	45
Great Central Lumber	128	167
Great Plains Supply	99	116
Grossman's	6	6
Gulf Stream Lumber	172	166
Hacienda Home Centers	150	77
Haddonfield Lumber	78	145
Hancock Co.	73	69
Handy Andy	16	15
Hayward Lumber	117	114
Hechinger	9	7
Henry Bacon Building Materials	81	65
Hermann Lumber	140	138
Herndon Lumber & Millwork	148	175
Hill-Behan Lumber	45	51
Hinckley Home Centers	122	111
Home Quarters Warehouse	69	37
HomeClub	10	8
Housatonic Lumber	180	150
Hughes Lumber	173	103
Jaeger Lumber	142	98
J.C. Snavely & Sons	131	151
J.T.'s Home Centers	92	107
Kempsville Lumber	115	161
Lampert Lumber	43	40
Lampert Yards	94	85
Lanoga	17	20
LaValley Building Supply	109	102
Lesher Group	107	109
Levy's Building Centers	165	89
Lezzer Lumber	88	78
Lloyd Home & Building Ctrs.	36	29
Lone Star Hardware	54	33
Lowe's Cos.	1	2
Lumber Headquarters	145	84
Lummus Supply	162	136
Mack Industries	70	108
Manis Lumber (Wheeler's)	151	129
Martin Home Centers	177	152
Masten Lumber	103	115
Mayfield Building Supply	149	180
McCoy's	27	25
Meeks Building Centers	37	52
Menard's	12	11
Mid-Cape Home Centers	87	110
Millard Lumber	138	137
Moser Lumber	106	131
Mr. Goodbuys	29	26
M.G.Building Materials	84	75
M.L.Claster & Sons	101	86
Nassau Suffolk Lumber	91	106
National Hardgoods Dist.	89	48
National Home Center	62	61
National Lumber (Calif.)	28	21
National Lumber	98	154
Neiman-Reed's Lumber City	72	43
Oshan Lumber	176	178
O'Malley's	39	62
O. B. Thompson	126	76
Panning Lumber	118	164
Parr Lumber	75	126
Pay 'N Pak	15	13
Payless Cashways	3	1
Pergament Home Centers	18	16
Peter Lumber	120	132
Plywood Minnesota	104	55
Ply-Marts	105	144
P.F. O'Connor	42	44
Ray Lumber	129	172
Raymond Building Supply	130	168
Rickel	14	12
Rigg's Supply	102	80
Robertson Cos.	168	104
Sackett & Peters	179	97
Scherer Brothers	57	134
Scotty's	13	14
Seacoast/Pelican Bldg. Centers	55	91
Seigle's Home & Bldg. Centers	58	73
Sinclair Lumber	112	153
Spahn and Rose Lumber	136	90
Stacy Building Materials	141	95
Stambaugh-Thompson	52	31
Standard Supply & Lumber	100	124
Star Lumber	93	83
Steenbeke & Sons	147	123
Stevenson Lumber	86	149
Stine Lumber	152	101
Stottlemyer & Shoemaker Lumber	157	159
Stripling Blake Lumber	159	135
Strober Brothers	38	148
Sutherland	11	10
TAPJAC Co.	139	96
Terry Companies	30	121
The Andersons	41	56
The Home Depot	4	4
The Paty Co.	83	67
Triangle Building Centers	74	50
T.H. Rogers Lumber	144	93
United Lumber	178	143
Valu Home Centers	49	30
Wallich Lumber	155	169
West Building Materials	21	23
Western Home Center	119	156
Western Lumber	65	57
Westlake Hardware	44	28
Wickes Cos.	2	3
William M. Young	111	158
Williams Brothers	51	68
Wolf Organization	50	59
Wolohan Lumber	25	27
Woodbury and Sons	95	81
Woodward Lumber	166	174
Yardbirds of California	90	49

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Circle 053 on Reader Service Card

Perspectives

annual census/retailers

Return to decentralized buying marks Lanoga's 1987

By an NHCN staff editor

REDMOND, Wash. — Lanoga Corp., the parent of the Spenard's, Lumbermen's and United Building Centers (UBC) chains, returned to decentralized buying in 1987 to better manage its inventory.

It also appointed corporate vp Ed Savage to run its Spenard's and Lumbermen's operations, which were consolidated.

But the company saw only marginal sales gains last year, as the performance of contractor-oriented Spenard's continues to pull revenues down.

In 1987, Lanoga's sales rose only $1 million to $323 million. Daryl Nagle, who had spent 18 years with UBC and was named Lanoga's chief executive on May 12, 1987, told *NHCN* last month that while the company's "well-documented" problems have stifled sales and earnings, "we made money this year. It wasn't a banner year, but overall it was very good."

Nagle noted that sales at the nine-unit Spenard's, based in Alaska, were "seriously off" in 1987 (by nearly 15 percent, according to *NHCN's* estimation), but that "the other chains [the 102-unit UBC and 16-store Lumbermen's] did very well."

Spenard's, which continues to suffer from anemic housing starts in its markets, saw its DIY sales rise to 50 percent of its total volume last year, according to director of marketing Doug Grover. The chain closed two of its contractor yards in Glenallen and Anchorage, Alaska, in 1987.

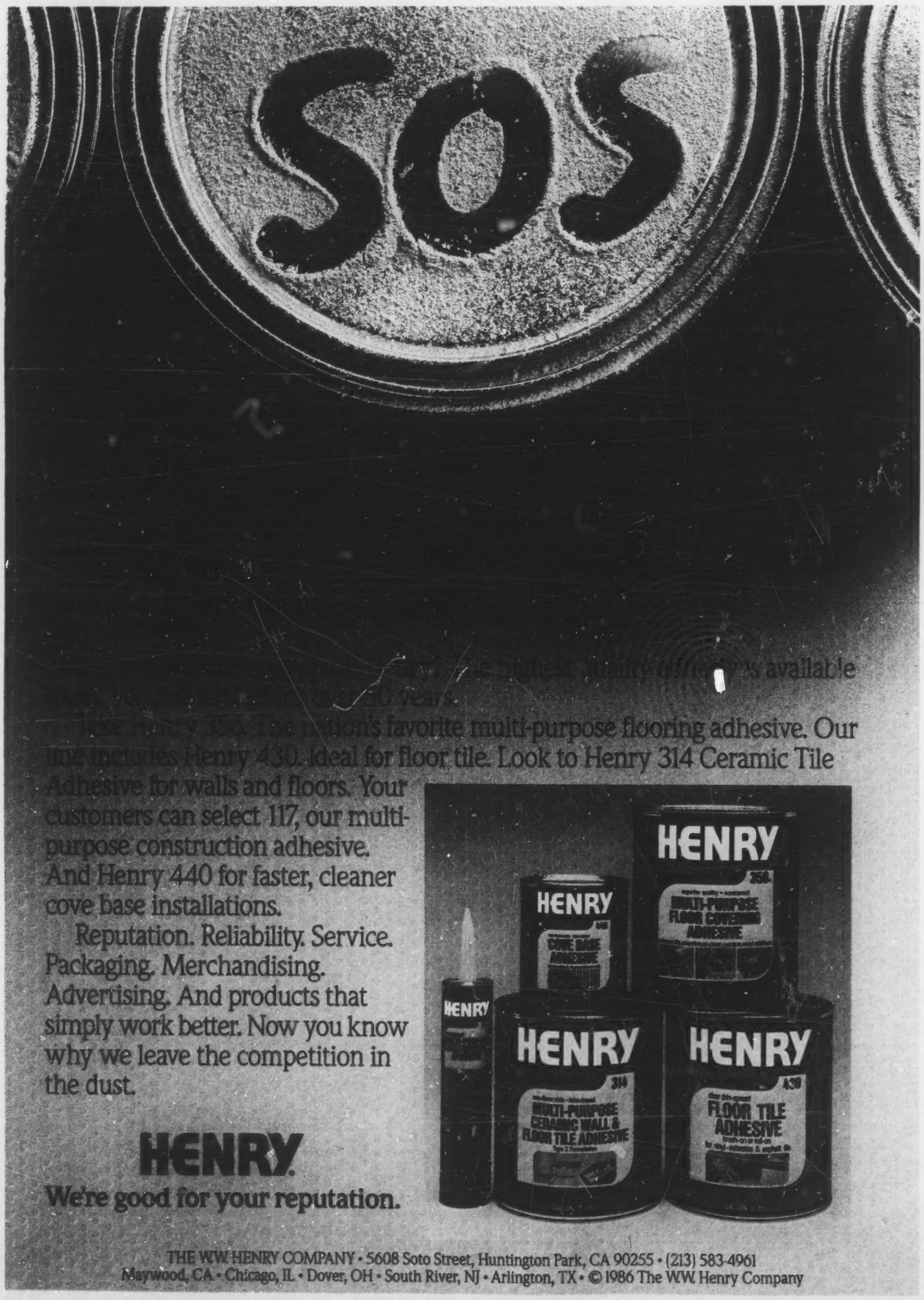
"Our profit levels were higher than last year's," noted Grover, "and sales were good, given the current market."

The most dramatic events at Lanoga, though, were sales related, as the company laid off more than two dozen employees and shut its six-month-old corporate merchandising/marketing office last June.

Included in the company's purge were vp-merchandising and marketing Monte Leen, merchandise manager Jim Kief and Tim Schneider and, at the corporate level, vp-chief financial officer Steve Hall, MIS director Bruce Winter and special projects director Jim Fox.

The bloodletting actually began a few months earlier when then ceo Ted Tanase resigned on April 3, apparently over a disagreement with corporate management over his emphasis on centralized buying.

After its employee cutbacks and consolidation, Lanoga reassembled the management team for the Spenard's-Lumbermen's division that included Savage at the helm, with executive vp Bill Cromett supervising two merchandisers from the defunct central buying group and a buyer from Lumbermen's.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Perspectives

annual census/retailers

Pergament upgrades units as sales rise 15% to $300M

By an NHCN staff editor

MELVILLE, N.Y. — Pergament Home Center's sales continued to grow in 1987, rising 15.4 percent to $300 million.

The chain also continued its program of replacing small stores in existing markets with larger units. Pergament's total number of stores remained constant at 40.

Bruce Pergament, senior vp-administration, said five stores were opened in the past year: in Bethpage, N.Y.; Garden City Park, N.Y.; Middle Village, N.Y.; Spring Valley, N.Y.; and North Brunswick, N.J.

The largest of the stores was the 150,000-square-foot Bethpage unit, Pergament said. Billed as New York's largest home center in Pergament's advertising, the store features linens, Oriental rugs and bedding.

The beefed-up store was Pergament's response to the news that Hechinger and Mr. Goodbuys would open on Long Island, N.Y. Both chains emphasize home decor items.

If the new lines work, Pergament has been quoted as saying they would be featured in all the chain's stores.

Chainwide, Pergament upped its average number of stockkeeping units 33 percent to 40,000, including more furniture, housewares and electronics. (Indeed, the company ran ads saying it was "open to buy" $400 million worth of merchandise at the Home Center Show in March.)

Also a winner for the chain, Pergament said, was its Port Chester, N.Y., store.

Though the company has operated a store in this suburb for 25 years, Pergament said the unit has been evolving.

"We went through a lot of painstaking effort to get that store the way we wanted it," he said. "We had a lot of different personnel until we found the right match. But we're very pleased with that store now."

Besides moving from a smaller unit in the strip center where it's located, Pergament said the Port Chester store has been refurbished several times.

Central enters new market; sales rise 10%

By an NHCN staff editor

BRIDGETON, Mo. — Central Hardware, the Missouri-based chain of 35 units, boosted sales slightly more than 10 percent last year, primarily by moving into new territory.

NHCN estimates Central's sales grew to $300 million in 1987, up from an estimated $270 million the year before. Central, a division of St. Louis, Mo.-based Interco Inc., would not reveal sales figures.

Growth has been steady for Central, gaining an estimated 10 percent in sales each year since 1983. It has been conservative in its store-opening philosophy, said president Jim Cohen.

Aggressive expansion

Its most aggressive recent expansion took place in the spring of 1987. Central debuted in Nashville, Tenn., with two units. Those and two in Cincinnati—where it already had six units—were properties Central acquired late in 1986 from the defunct Mr. HOW chain. This was the first growth for Central since adding its Columbus, Ohio, units in 1983-84.

Those first units in Nashville for Central were opportune acquisitions for the chain. Retailers there describe the market as able to support new competition, which currently includes strong local players and three Lowes units, two Handy City units and three units of the 84 Lumber chain.

There was a changing of the guard last year at the 85-year-old firm. Stanley Cohen, grandson of the founder, retired from the board of directors of Interco. Cohen sold the family firm to the conglomerate in 1966.

He will remain on at Central for two more years as a consultant. His son, Jim, now heads the company.

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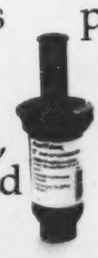

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Perspectives

annual census/retailers

West pushes consumer promos in bid for DIY business

By an NHCN staff editor

ATLANTA — With a heavier push into advertising through more consumer promotions, West Building Materials chalked up a 9 percent sales gain last year to $283 million.

The company was able to turn in a positive performance despite the invasion of Builders Square into the Atlanta market and the intense advertising skirmishes that ensued between that chain and The Home Depot.

Growing DIY interest

While West still earns 50 percent of its revenues from consumers, several steps enacted in 1987 indicate a growing interest in DIY business.

First the company invested heavily into a strong kitchen and bathroom profile and expanded its special order business in kitchens to 5,000 items.

Ronnie Goode, West's regional manager, told *NHCN* last month that "at least that many" special order items will be available in the bath this year, and that other departments will soon see their special order offering grow.

Second, West has undertaken an effort to remodel the stores in the 68-unit chain to include a broader selection of garden centers. The K&B area is being used as a kind of springboard in this effort.

Third, West has taken a proactive approach to training its sales managers to promote project selling and to encourage product tie-ins for new home builders.

Bill Colatriano, West's kitchen and cabinets sales manager, has spearheaded this training program, which is being expanded to other departments this year.

Last, West is going after the contractor and commercial account in a bigger way this year. It has produced advertising specifically for that customer (including apartment owners).

And it is making a bigger push to get home builders, not just the traditional remodeler customer who has been the chain's bread and butter.

The company, which normally has maintained a low profile, appears to be taking on a more active and visible role in the industry. Part of the change may be due to the youthful second generation of the West family assuming more day-to-day management control.

That profile was manifested by the amount of television advertising West did in many markets this year. Two of its TV ads were winners in this year's Ad Awards contest, conducted by *NHCN*.

Erb puts focus on building PK's contractor base

By an NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber, with a full year of sales and earnings from the PK Lumber chain it bought in 1986 under its belt, boosted sales 14 percent to $288 million over 1986. Much of the gain came from its lumber operations, both wholesale and retail, in six states.

While it still gets half its business from DIYers, Erb relied heavily on contractor and commercial accounts. In 1987, Erb worked on restoring the strong contractor base at PK. Erb hiked the number of core lumber and building materials at PK, the Dayton, Ohio-based chain of 21 units.

Chain rebuilds Haggerty

The chain rebuilt Haggerty Lumber, a 1984 acquisition in Walled Lake, Mich., a suburb of Detroit. With higher racking and more product in the main store, Haggerty Lumber became a warehouse-look prototype for a new yard opened in 1988 in Howell, Mich.

Erb also refurbished its Division Avenue yard in Grand Rapids, Mich., adding 12,000 square feet of retail space.

Overall, the chain boosted its average retail space by 500 square feet to 11,500 square feet. Acreage stayed the same, averaging six acres per unit.

Late in 1987, the chain began the search for new sites and anticipates several openings late in 1988 or early 1989.

Stockholders of the publicly traded Erb voted to turn the company private in late December 1986.

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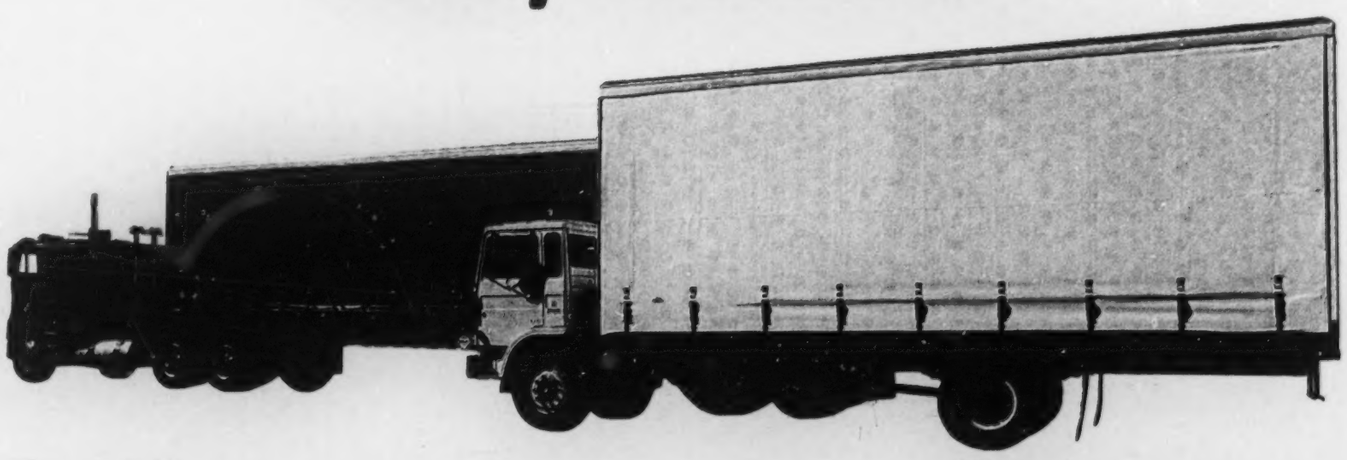

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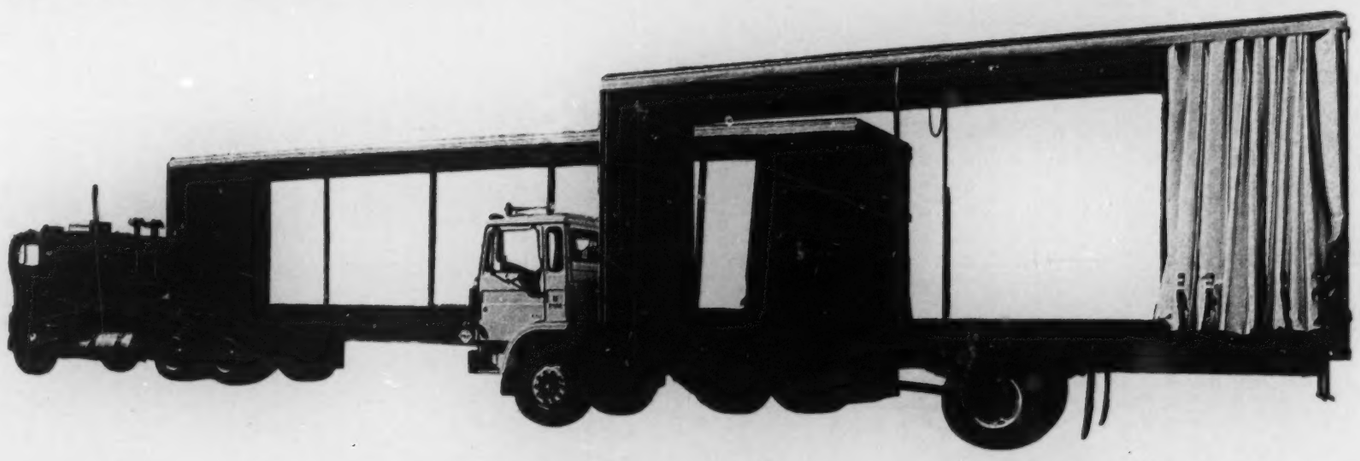

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UTILITY

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Perspectives

annual census/retailers

Ernst Wash. prototype serves to launch remodelization

By an NHCN staff editor

SEATTLE — Ernst Home & Nursery, the 70-unit chain, took a number of bold steps in 1987, even though the chain's sales increase may not reflect that initiative.

Ernst's revenues rose only 4 percent to $260 million in 1987, according to vp-operations Michael Baumann. The company opened three stores, but closed six last year.

However, Ernst started on the road towards modernizing its stores and operations with the introduction of a flashy new prototype in Woodinville, Wash., that is serving as the launching point for the remodeling of all of its units in 1988.

In 1987, Ernst made a two-pronged commitment to DIYers—through its remerchandising—and to contractors through its pact with Mr. Build, the builder network that provides installation, remodeling, maintenance and repair services. Ernst has carved out 1,500-square-foot areas in its stores to display products that could be installed by Mr. Build-affiliated contractors.

"Fifty percent of consumers don't do major projects themselves, but they're apprehensive about thumbing through the Yellow Pages looking for a home repair contractor," said Gordon Erickson, installed services director, in explaining the Mr. Build alliance.

Mr. Build also played a role in Ernst's philanthropic effort to improve Washington State's largest shelter for the homeless in Seattle. Ernst donated $25,000 and Mr. Build donated repair services, which included the addition of a food preparation room and laundry/personal care area. To support its retail and remodeler businesses, Ernst made great use of print (accounting for 75 percent of its ad budget), television, radio and billboards. Each medium was used with a goal in mind: Radio aimed at consumers aged 35 to 64; TV ads promoted its low-price image; ROP ads highlighted a strength in green goods and nursery.

Last spring, Ernst also initiated plans for what then-vp-marketing Tim Lucia called "fashion seminars," in which consumers were instructed on everything from coordinating paint and wallpaper to matching furniture with doors and molding. They were scheduled to begin sometime last month. This was also a way to direct consumers into the Mr. Build section of the store.

Company president Hal Smith, brought on from the Builders Emporium chain two years ago, has also sought to strengthen corporate management. Last year, he hired Tom Vertetis, a veteran of Handyman and Channel, as senior vp-merchandising. Vertetis' style has been marked by scrutiny of vendor relations that has resulted in Ernst's conducting several closeout sales in a number of categories throughout 1987.

Also brought on board was Susan McNab, who replaced Dave Bruckner as senior vp-human resources.

Lucia was the one defection suffered last year, as he went to rival Pay 'N Pak as vp-marketing and communications. A few months ago, he was replaced by Monty Reese, the former Handy Dan executive who did a brief stint at Builders Square before joining Ernst as its vp-marketing.

Carter Lumber prosperous in hinterland

By an NHCN staff editor

KENT, Ohio — Carter-Jones Lumber was the 23rd largest retailer in the industry, with sales topping $242 million last year from 146 stores.

The privately held, publicity-shy operation's sales jumped 15 percent.

The company's executives declined to provide any further elaboration of its activities in 1987.

Despite its preference for avoiding the press, the company's advertising is among the more distinctive in the industry as it enjoys a consumer sales mix of 55 percent.

Circle 62 on Reader Service Card

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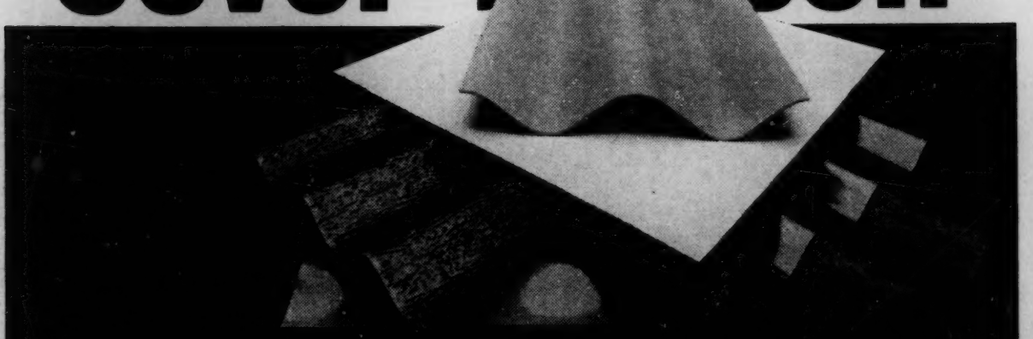
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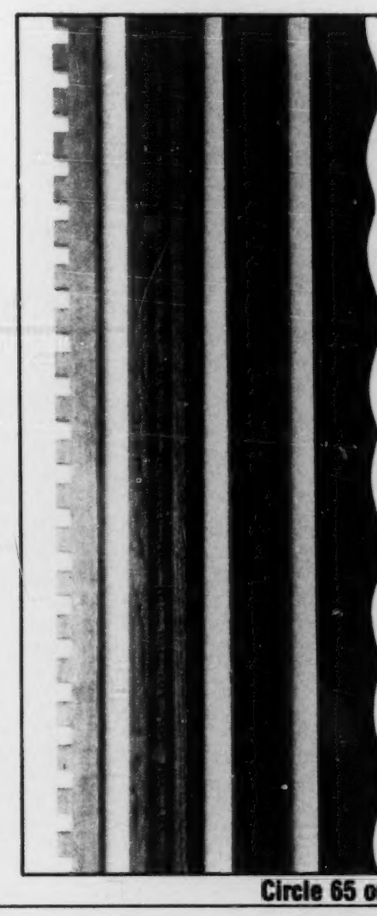
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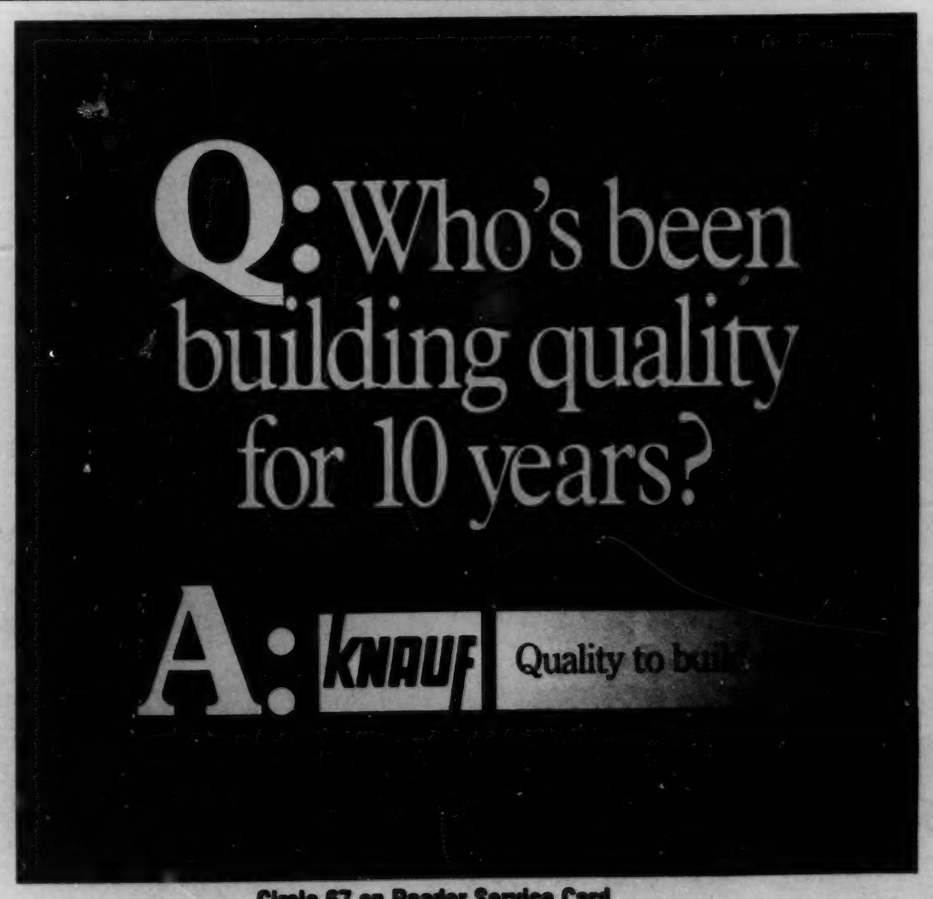


Circle 67 on Reader Service Card

Perspectives

Diamond fit for a fight as it struggles free from Ch. 11

By an NHCN staff editor

DALLAS — For Diamond Lumber, it was a year of turmoil and triumph.

The turmoil began early in 1987 as the chain, then 86 units, struggled to keep its head above perilous financial water.

In April, apparently drowning, Diamond and its parent company Michigan General filed for protection from creditors under Chapter 11 of the federal bankruptcy code.

But by the end of the year, Diamond was stroking hard toward the surface. And almost a year to the day that it filed for bankruptcy, Diamond emerged—trimmed down by 33 stores, with new management based in Dallas and fit for fight.

In spite of its problems, Diamond maintained a place on the list of top 25 retailers for 1987, squeaking into the 24th slot, with sales of $233 million.

"I wouldn't want to go through this again," said Michigan General ceo Jerold Grubstein when Diamond's reorganization plan had been approved.

Casualties of the bankrutpcy undertow were Diamond president Harlon Seats and 37 managers who resigned from stores around the country in 1985. The managers were disillusioned with Diamond's abandonment of its contractor customer, though some have been persuaded by Grubstein to return.

Seats, who helped steer the company through the Chapter 11 proceedings, is gone for good. He resigned in late November, the day Diamond filed its reorganization plan.

"Would I have done anything different?" mused Seats the day he resigned. "Not too much. I probably would have closed some smaller stores earlier."

With a three-year, $70 million line of credit from the CIT Group of Manufacturers Hanover Trust, Diamond is ready to try again.

The chain is wooing back contractors who left during Diamond's schizophrenic search for identity, sprucing up stores to the tune of $4 million and polishing the new Diamond image.

In October, Diamond sponsored a series of contractor nights, inviting more than 60,000 builders and remodelers to its 63 stores. Much of the chain's turnaround comes from contractors the chain has returned to its fold.

Of special concern is the Northeast, where competition is heating up and business industrywide is booming.

"Our California stores are in excellent shape, but our New England stores have been neglected over the years," said Jim Schaffer, the executive vp Grubstein lured from Moore's, a division of Grossman's.

Diamond's first remodeled store debuted in Bangor, Maine, on April 7, where a ceiling fan promotion ensured a customer crowd. At least four other remodelings are scheduled this year.

Wolohan adds 3 units, sees 70% earnings jump

By an NHCN staff editor

SAGINAW, Mich. — Wolohan Lumber, the industry's 25th largest chain, made impressive gains in sales and earnings in 1987, as it opened three new stores, bringing its total to 42.

The company, under the leadership of Jim Wolohan, the company's 36-year-old president who was named to the additional post of chief executive officer, saw revenues grow 17.6 percent to $228.6 million last year. DIY sales—which account for more than half of Wolohan's sales, increased 12 percent to $115.9 million. Professional sales jumped 24 percent to 112.7 million.

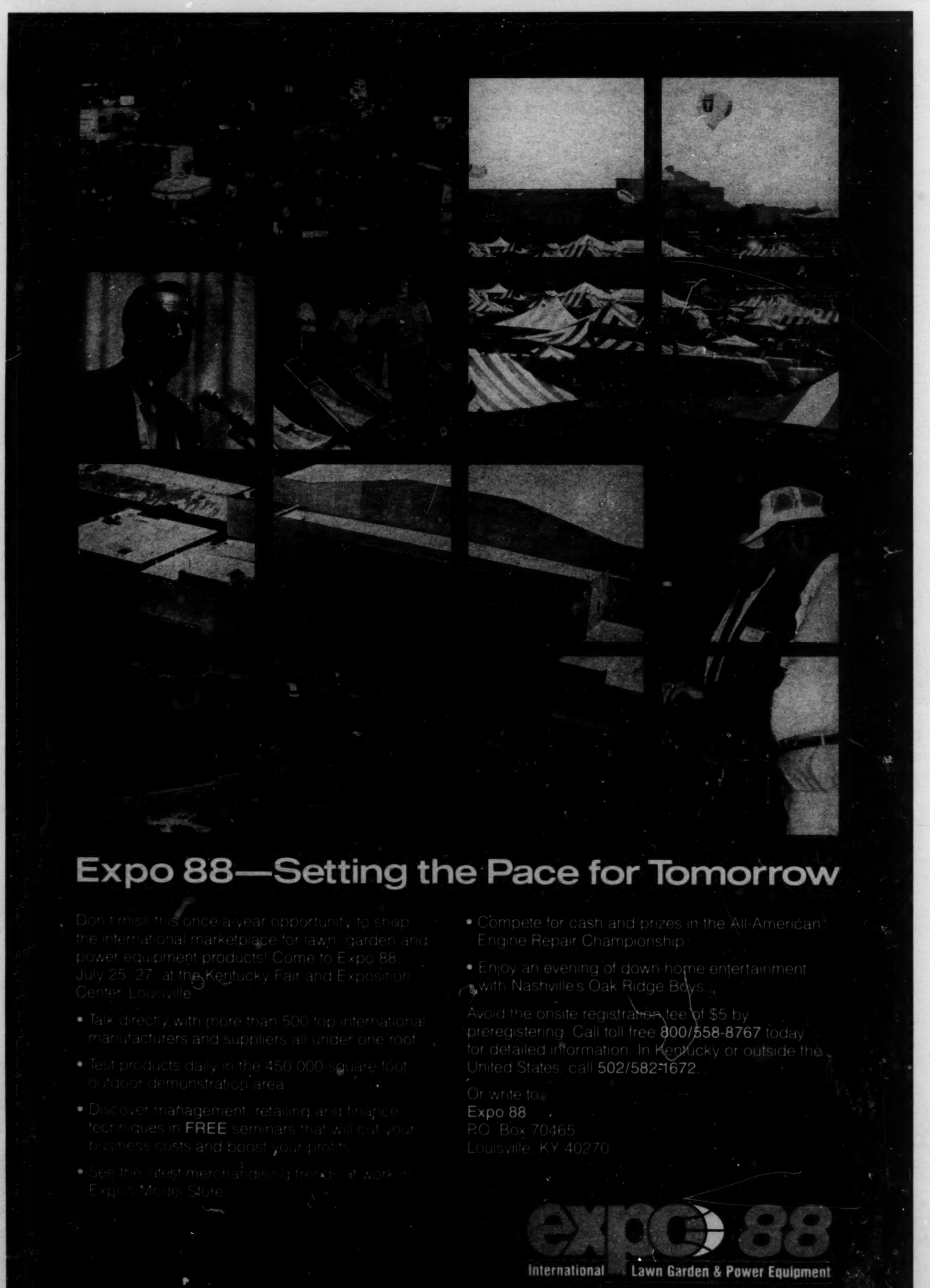
Wolohan's stores operate in markets where sagging agricultural and industrial industries have impacted retailers' sales and earnings. But its own net income went up a remarkable 71 percent to $9 million, or $1.53 per share, last year. This was after a year, 1986, that produced net income that was 50 percent higher than the pervious 12-month period.

This profit performance is correlative to the chain's increase in gross margins in 1987. Last year, margins rose to 27.1 percent, up from 26 percent in 1986.

During the year, the company opened three stores in Grayline, Traverse and Gaylord, Mich., built a new retail sales area onto its Columbus, Ind., unit, and remodeled and expanded its Elkhart, Ind., store. All told, the chain increased its total retail square footage by 11 percent.

Wolohan intends to open three to five new units in 1988, and will complete the expansion and remodeling of its Kettering, Ohio, store sometime this spring. The company is also expanded its headquarters office by 133 percent to 28,000 square feet.

The chain has also made a big push into installed sales, introducing this service in 1987. All of its units provide the service for barn and deck packages, and 29 Wolohan units offer an installed vinyl window program.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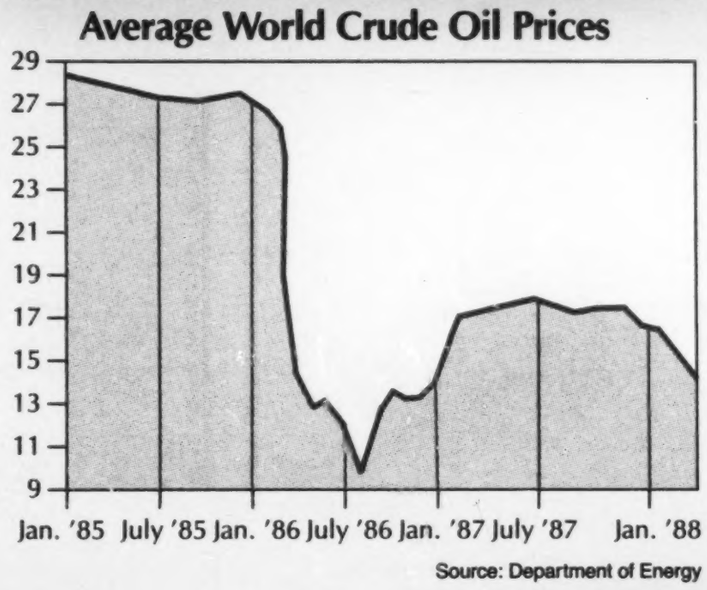
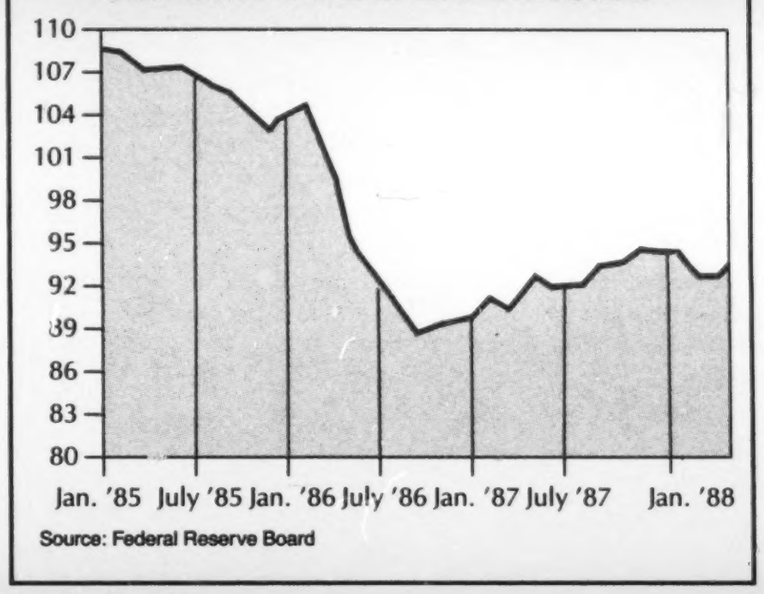
Business Watch

Section 4

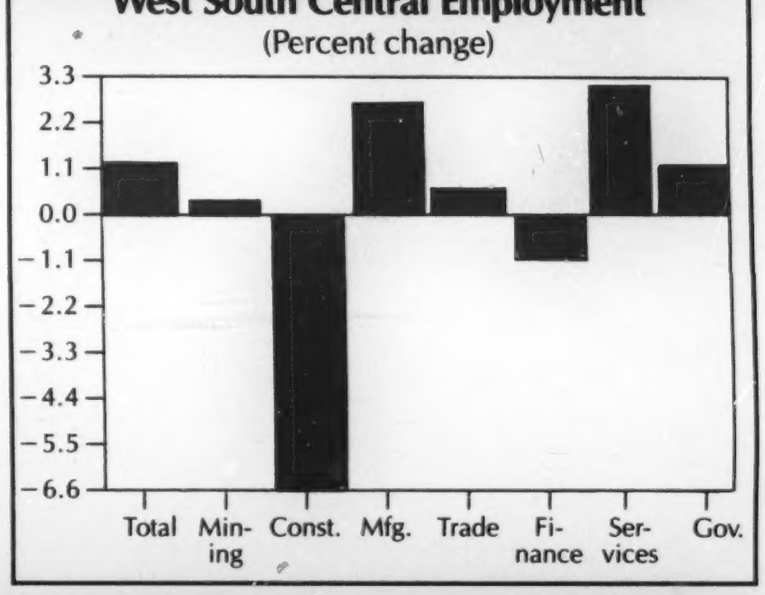
A slow upturn in oil prices . . .



. . . raises domestic mining from its trough . . .



. . . increasing West South Central employment



Slow sales in West South Central states reflect soft economy

By Richard E. Mount
Special to NHCN

Building materials sales in the West South Central states are likely to increase 0.7 percent this year versus a decline of 1 percent in 1987. The softness in this market's economy continues as this year's gain will remain below the 4.6 percent national rise and the region is still recovering from two weak years. Adjusted for expected price increases, the decline in 1988 will be 4.3 percent.

Energy prices are in the news again as OPEC attempts to develop a world producers' consensus on pricing.

Richard E. Mount

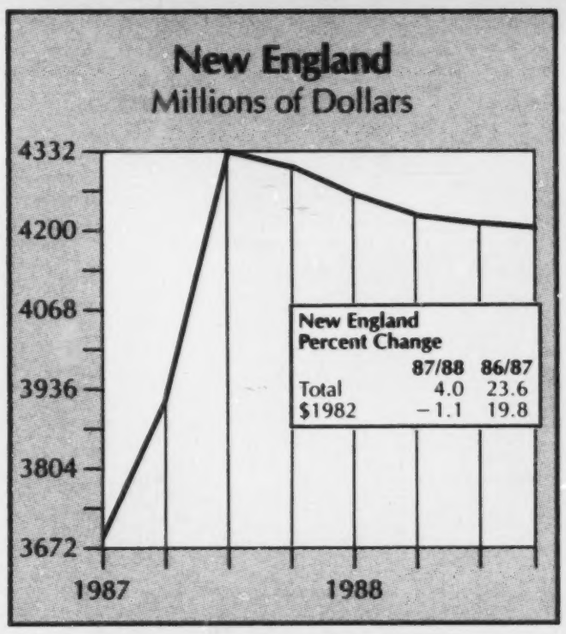
OPEC is suggesting a further 5 percent cutback in its own production, matched by a 5 percent cut by non-OPEC producers, to raise world oil prices. Oil prices on spot markets have recently increased to $18-plus per barrel, frightening financial markets. With spot markets accounting for only a fraction of demand, however, world oil prices are closer to $16. For the economies of the West South Central states, higher oil prices and the resulting increase in domestic mining activity would be good news.

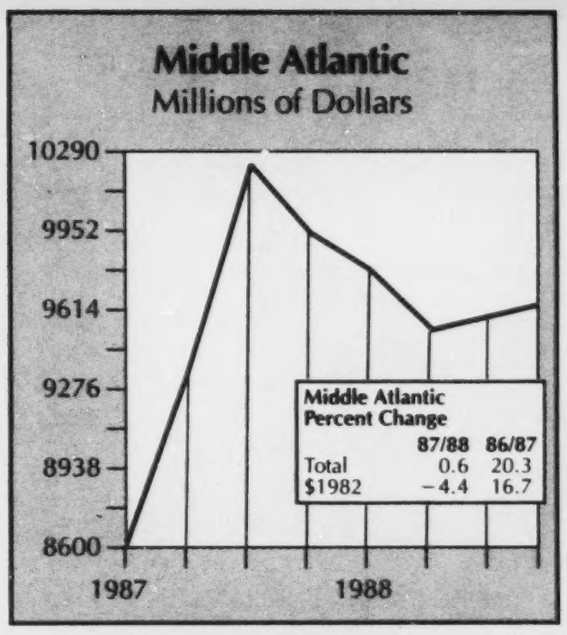
Arkansas is the strongest in the region, with employment gains of 4.3 percent from a year ago, well above the national average of 3 percent. Louisiana is the second strongest with employment up only 2.1 percent. Texas, suffering also from problems in its banking system, is third with a rise of 1.2 percent.

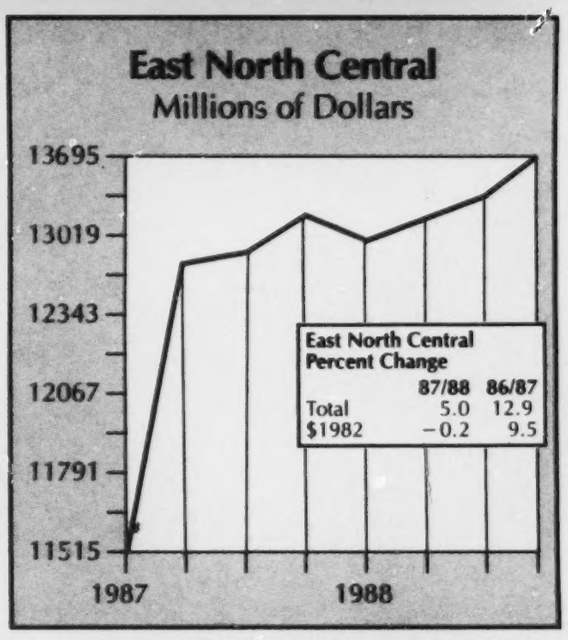
For building materials sales in the West South Central states, the expected rise in oil prices will continue the slow upturn in employment in the region. Oklahoma, in particular, will be pressured by the weakness in domestic drilling activity. It will not be until oil prices reach $22 to $25 per barrel, a development not expected until 1991 or 1992, that the region will begin to truly regain its prior strength.

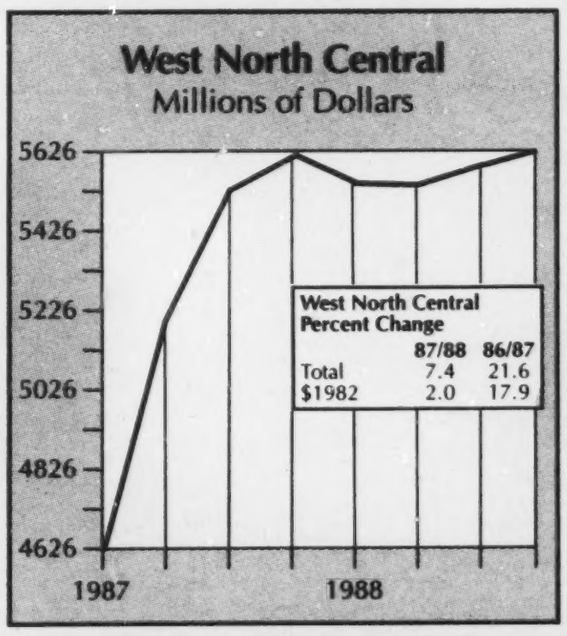
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

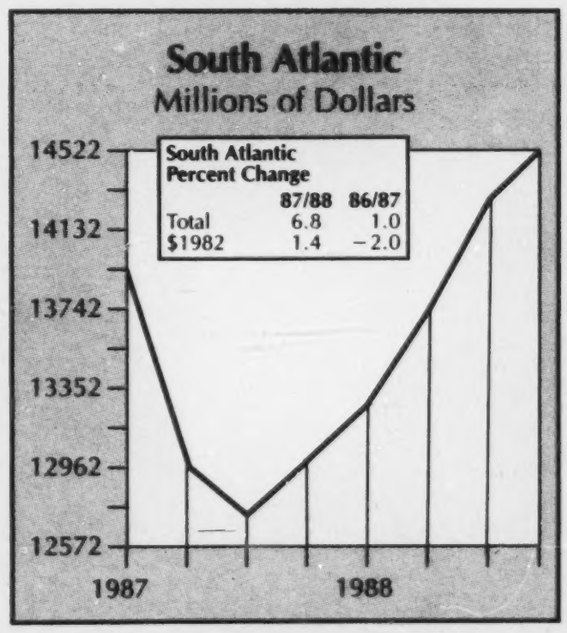
Regional Outlook: Building Material Sales

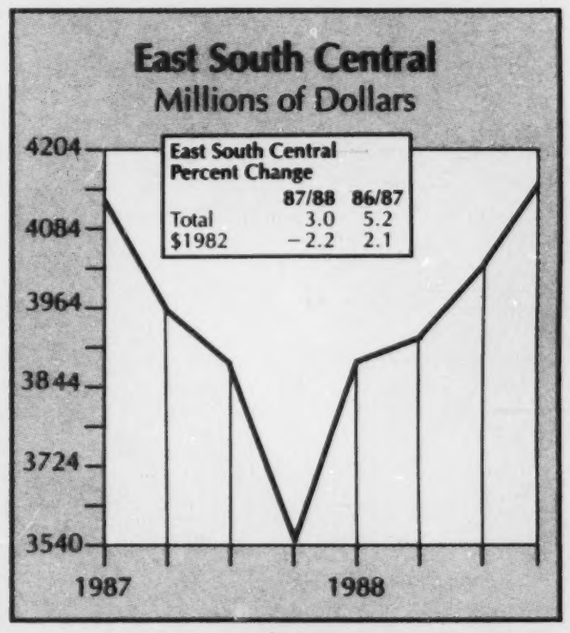


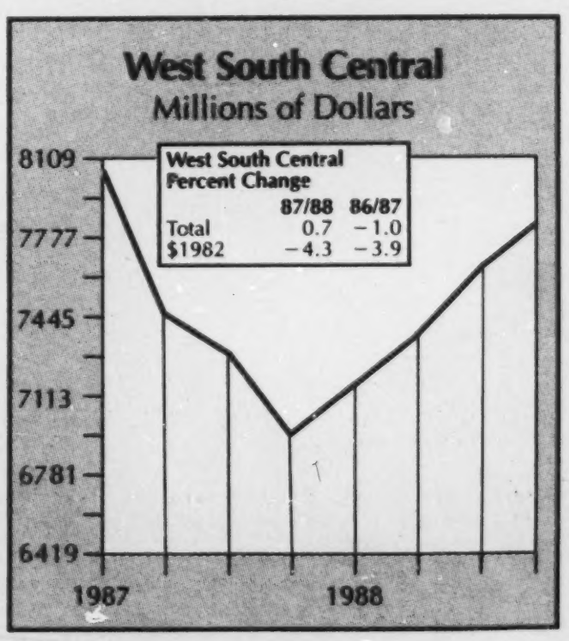


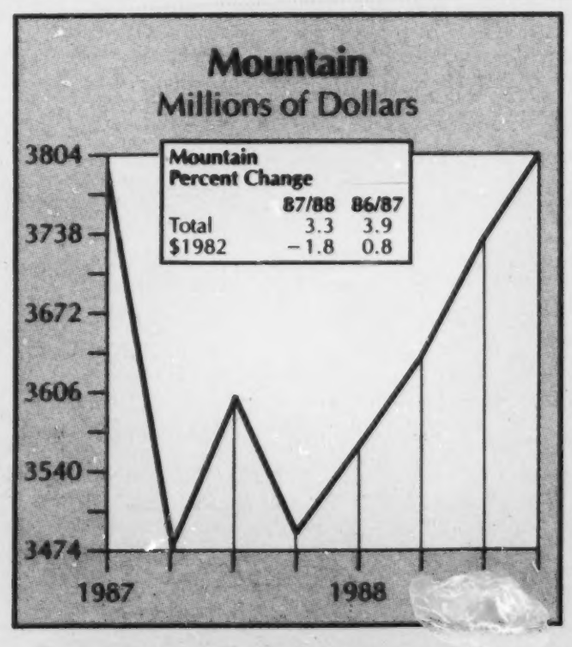


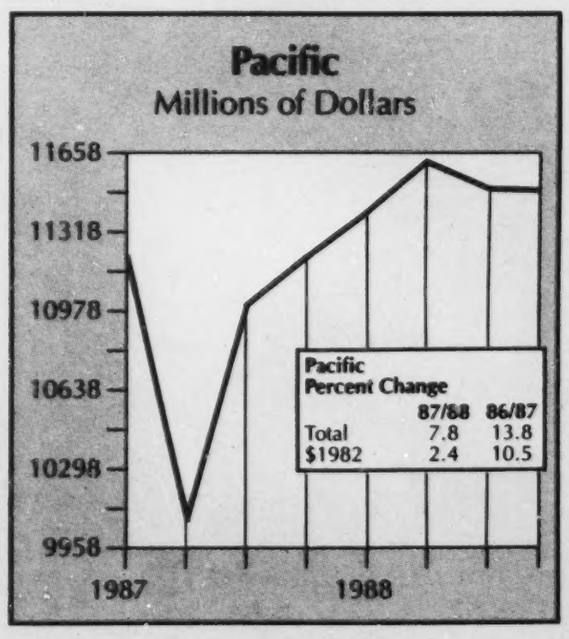












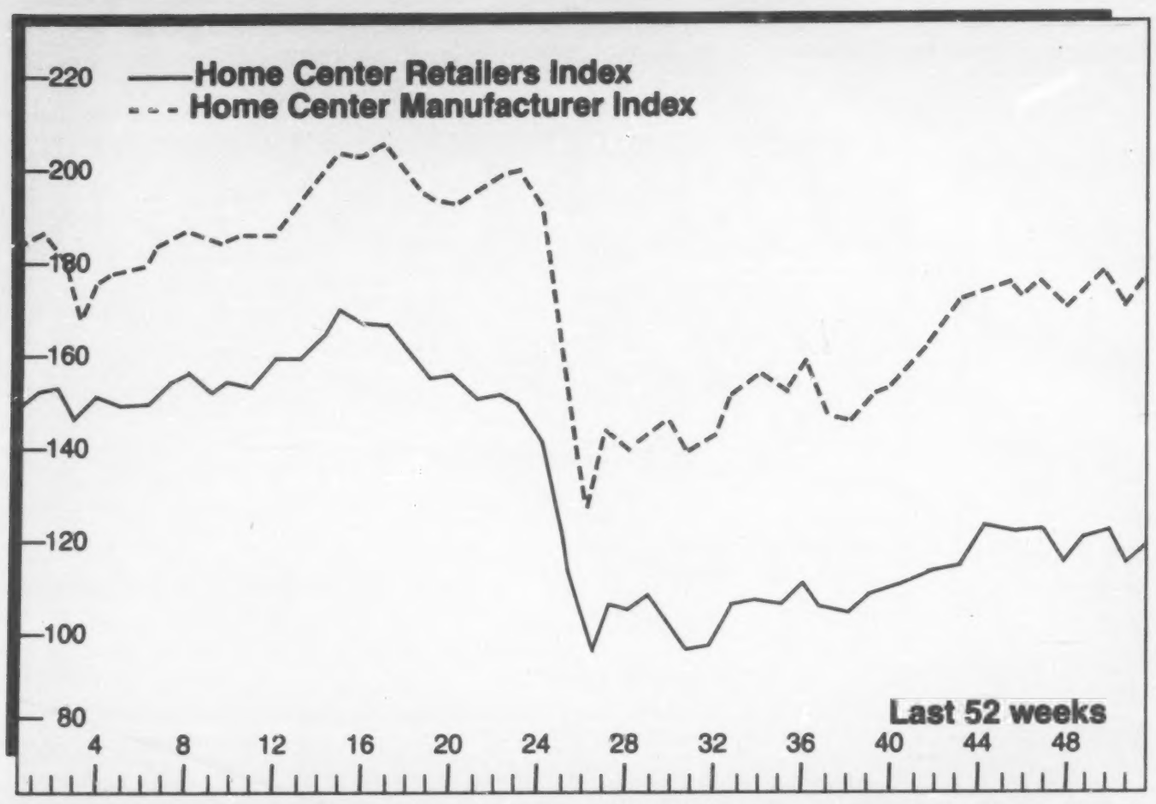
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on April 29, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Market continues mixed show

The market continued to be mixed for 55 home center retailers, manufacturers and wholesalers tracked for *NHCN* by Media General.

Of the 55, 30 were up, 22 were down and three were flat for the two-week period ending April 29.

Leading the retail gainers was Standard Brands Paint, which jumped 12.6 percent to close at $13.38. Next on the list was Home Depot, with a 7.8 percent gain to $26.

Retail losers included Grossman's, whose stock dropped 6.5 percent, to $7.25, after the company announced a net first quarter loss of $9.1 million or 35 cents per share. Grossman's sales, however, were up 7.5 percent, to $204 million.

Zayre Corp. was also a loser, dropping 5.2 percent to close at $22.75.

Three of four wholesalers also posted losses, ranging from 5.9 percent to 1.4 percent. Only California-based Stanline was up slightly, 0.9 percent, to $13.38.

On the manufacturing side, USG showed the biggest gain, 11.9 percent, as Desert Partners upped its bid to $50 per share. USG's stock closed at $41.

Owens-Corning was also up, 9.3 percent to close at $20.50. And Ply-Gem was up 7.6 percent to $14.13, after the company announced it would make a $5 million profit from its aborted purchase of Wolverine Technologies. Chief among the manufacturing losers was Clairson International, whose stock dropped 13 percent to close at $5.

HOME CENTER MARKET SUMMARY

National Home Center News

Stock Market — Price: 2-Weeks Ended; 2-Weeks Change (Amt., Pct.); 2-Week Range (High, Low); 52-Week Range (High, Low). Volume: 2-Weeks Shares Traded (Total, % Out); 12-Week Avg. Vol. As % Out; Volume Trend Change.

Financial Update — P/E Ratio; Indicated Divd. Rate (Amt., Yld.); Latest Report (New Report, Period, Date Ended); Latest Quarter (Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg.); Year-to-Date (Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg.)

Company and Market	2-Weeks Ended 4-29-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	6.00	- .25	- 4.0	6.25	5.75	11.75	4.00	494	1.23	1.05	17.1	13.0	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc ..... M	7.25	- .50	- 6.5	7.88	7.13	10.25	4.13	6,906	2.64	2.79	- 5.4	14.5	.00	.0	NEW	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	17.25	- .75	- 4.2	17.75	17.00	26.50	14.25	6,013	5.50	3.31	66.2	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.25	- .75	- 4.2	18.00	17.25	26.75	15.50	591	.36	.33	9.1	14.7	.06	.3	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot ..... N	26.00	1.88	7.8	27.13	24.25	28.09	12.13	14,854	3.02	1.97	53.3	23.0	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	7 7/8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc ..... N	41.13	- .75	- 1.8	42.75	41.00	54.00	29.50	6,936	1.85	1.02	81.4	11.8	1.72	4.2	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp ..... N	33.50	.13	.4	35.00	33.00	48.38	21.63	38,526	1.89	1.30	45.4	9.9	1.32	3.9	NEW	fiscal	01-88	7755.0	11.8	321.0	6.8	1.58	6.0	25627.0	7.6	692.0	15.7	3.40	14.1
Lowe's Cos ..... N	20.00	.38	1.9	20.63	19.13	29.38	15.25	6,306	1.59	.81	96.3	13.0	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	5.50	.00	.0	5.75	5.38	9.25	3.75	71	.52	.56	- 7.1	8.7	.00	.0	NEW	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber ..... M	3.00	.13	4.3	3.00	2.75	6.50	2.75	228	.40	.45	- 11.1	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash ..... N	17.50	- .13	- .7	18.75	16.63	24.50	9.63	14,280	4.12	3.46	19.1	22.2	.16	.9	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	14.75	.25	1.7	15.00	14.25	15.88	10.00	710	.49	.49	.0	18.7	.52	3.5	NEW	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	35.88	1.00	2.9	36.50	33.88	59.50	26.00	65,963	1.74	.94	85.1	8.8	2.00	5.6	NEW	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt ..... N	13.38	1.50	12.6	13.50	10.63	31.88	10.63	2,321	2.06	1.30	58.5	38.2	.00	.0	NEW	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz ..... M	11.00	.25	2.3	11.25	10.75	14.75	6.25	295	.49	.70	- 30.0	12.6	.00	.0	.....	fiscal	12-87	26.4	9.5	1.0	- 16.7	.17	- 22.7	101.6	10.0	5.3	6.0	.87	- 10.3
Wickes Cos ..... N	10.63	.50	4.9	11.13	10.13	25.00	7.25	9,541	1.99	1.58	25.9	13.8	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber ..... M	15.25	.38	2.5	15.25	14.63	18.75	8.75	2,120	3.62	1.61	124.8	10.0	.24	1.6	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp ..... N	22.75	- 1.25	- 5.2	25.38	22.25	37.00	13.50	65,051	11.47	6.26	83.2	10.8	.40	1.8	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply ..... N	27.38	- .38	- 1.4	28.38	27.00	30.25	19.75	590	1.77	.66	168.2	9.9	.44	1.6	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley ..... M	4.00	- .25	- 5.9	5.00	4.00	9.50	3.75	247	1.01	.26	288.5	NE	.00	.0	NEW	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	8.50	- .38	- 4.2	9.50	8.38	9.50	5.75	3,683	9.76	2.00	388.0	21.3	.28	3.3	.....	fiscal	01-88	46.8	.0	.2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Stanline Inc ..... M	13.38	.13	.9	13.63	13.25	13.38	6.19	296	1.66	1.89	- 12.2	11.6	.32b	2.4	.....	3 mos.	01-88	16.1	15.0	.5	66.7	.26	36.8	16.1	15.0	.5	66.7	.26	36.8
Manufacturers																													
Am Consum Prods ..... M	13.00	.50	4.0	13.25	12.00	14.75	7.88	406	1.95	1.52	28.3	16.3	.00	.0	.....	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard ..... N	77.50	1.25	1.6	78.25	76.13	78.25	30.50	8,901	2.85	7.36	- 61.3	18.5	1.80	2.3	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark ..... M	9.25	- .13	- 1.3	9.75	9.25	15.75	6.50	155	.23	.39	- 41.0	10.8	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld ..... N	38.75	- 1.13	- 2.8	40.25	37.50	47.38	22.50	16,236	3.51	2.33	50.6	12.2	1.00	2.6	.....	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker ..... N	20.75	1.00	5.1	21.25	19.13	26.50	13.00	33,156	5.67	3.67	54.5	16.0	.40	1.9	NEW	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	44.75	- 1.25	- 2.7	47.38	44.38	51.16	28.81	18,693	4.14	1.48	179.7	10.2	1.20	2.7	NEW	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl ..... N	33.75	- .75	- 2.2	35.38	33.38	44.63	21.75	36,066	3.80	1.91	99.0	7.5	.80	2.4	NEW	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl ..... M	5.00	- .75	- 13.0	5.75	4.75	18.25	4.75	603	1.18	1.28	- 7.8	8.6	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	59.00	- .50	- .8	60.38	58.38	74.50	39.00	13,700	2.70	1.20	125.0	16.6	1.80	3.1	NEW	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	29.75	- .63	- 2.1	30.50	29.63	42.00	21.00	572	1.44	.95	51.6	11.6	1.40	4.7	NEW	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp ..... N	21.50	.13	.6	22.38	20.63	26.63	15.50	4,414	.70	.60	16.7	12.1	.80	3.7	NEW	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	40.25	.75	1.9	41.00	39.13	48.38	22.75	29,280	2.76	1.67	65.3	8.9	1.20	3.0	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp ..... N	19.75	1.25	6.8	20.25	18.38	28.13	14.00	5,590	2.68	1.16	131.0	NE	1.00	5.1	NEW	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	31.38	1.00	3.3	32.13	29.75	39.75	21.50	8,903	2.32	1.11	109.0	9.6	.80	2.5	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel ..... M	15.88	.50	3.3	15.88	15.13	23.50	12.00	11,368	1.11	.55	101.8	NA	.85	NA	.....	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp ..... N	2.25	- .13	- 5.3	2.50	2.00	5.38	2.00	11,309	4.71	1.04	352.9	.4	.00	.0	NEW	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	26.13	- .38	- 1.4	28.38	25.88	39.25	18.75	21,115	1.59	.93	71.0	14.3	.40	1.5	NEW	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	5.50	.00	.0	6.25	5.50	12.75	5.50	81	.33	.15	120.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co ..... N	38.00	- 1.75	- 4.4	39.75	38.00	43.00	21.13	2,852	2.47	1.22	102.5	13.2	1.00	2.6	NEW	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	8.63	.25	3.0	8.75	8.00	14.75	5.00	2,279	1.49	1.19	25.2	NE	.10	1.2	.....	fiscal	12-87	269.9	- 6.8	- 18.1	- 100.0	(1.14)	NE	1245.8	29.4	- 6.7	- 100.0	- .43	- 100.0
Owens Corn ..... N	20.50	1.75	9.3	22.00	18.13	32.38	9.00	12,975	3.46	2.60	33.1	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	14.13	1.00	7.6	14.38	12.88	17.75	9.00	1,031	.92	1.03	10.7	21.4	.12	.8	.....	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot ..... N	20.00	- .25	- 1.2	20.25	19.50	27.25	9.75	4,002	3.35	2.21	51.6	8.2	.50	2.5	NEW	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp ..... N	30.88	.50	1.6	31.75	29.75	39.25	21.00	2,446	.92	.54	70.4	8.9	.92	3.0	NEW	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds ..... N	42.88	2.63	6.5	43.38	38.25	53.50	27.50	29,272	2.45	.97	152.6	12.1	1.20	2.8	NEW	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms ..... N	26.63	.00	.0	27.00	24.75	37.25	20.13	12,474	2.85	1.11	156.8	12.3	.64	2.4	NEW	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	29.25	.63	2.2	30.00	27.75	36.63	21.25	5,361	1.25	.65	92.3	14.1	.88	3.0	NEW	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	21.63	.75	3.6	22.00	21.00	22.38	13.81	981	.93	.82	13.4	13.2	.68b	3.1	.....	fiscal	12-87	80.5	6.5	4.8	50.0	.47	51.6	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind ..... N	29.75	1.75	6.3	29.75	27.25	44.00	22.50	6,405	2.83	1.65	71.5	15.7	.12	.4	.....	fiscal	12-87	995.8	27.1	- 34.5	NE	(1.19)	NE	4336.1	62.5	55.5	18.1	1.90	- 26.1
Union Camp ..... N	34.13	.63	1.9	35.13	33.25	47.63	26.00	16,203	2.20	1.07	105.6	10.7	1.24	3.6	NEW	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp ..... N	41.00	4.38	11.9	43.00	36.38	55.88	23.50	56,374	10.95	4.77	129.6	10.4	1.12	2.7	.....	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 64.5	2898.1	6.4	204.3	- 9.4	3.96	11.9
Waxman Ind ..... M	14.25	1.13	8.6	14.25	13.13	14.25	7.25	2,977	4.72	2.00	136.0	17.8	.10	.7	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser ..... N	37.50	- .13	- .3	38.88	35.63	57.50	19.00	44,895	3.29	1.24	165.3	11.8	1.80	4.8	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

More earnings with fewer units was 1987's hallmark

(Continued from page 1)
Lumber, Wickes and its subsidiaries—together closed enough stores to launch a good sized national chain.

While many of the aggregate 150 units that the industry closed were subsequently replaced in other markets (between 50 and 60 new stores were opened by retailers in 1987), the abandoned units reflected an industry eager to flee poor markets and improve same store sales.

Indeed, the continued recession in the Oil Patch—where much of this closure activity took place—stood in sharp contrast to the boom of the Northeast,where competition between firms there became more intense. Hechinger moved to New England and Long Island, N.Y. Builders Square also is moving into the Boston region.

While major bankruptcies or reorganizations were not as commonplace as in previous years in the industry, there were some notable filings.

The most prominent was the Chapter 11 filing of Diamond Lumber, Dallas, in April. It shutdown 33 units during the reorganization and emerged from Chapter 11 with 63 units last month.

Plywood Ranch, Braintree, Mass., the beleaguered New England chain that never seemed able to reap the rewards of its busy and rich market, pulled the plug. Management dissolved the 11-unit chain a few months after filing Chapter 11.

Perhaps the most dramatic bankruptcy was the collapse of Homeowners Outlet Mall Exchange, the home improvement shopping mall concept launched in Coral Springs, Fla. Under a veil of suspicion, the company liquidated owing some 400 vendors $3.06 million. Many vendors and investors told *NHCN* they were never paid in the year of the company's founding and could never reach company executives to quell their concerns.

In merchandising and operations, one of the more noticeable trends was the increasing commitment by both large and small companies to kitchen and bathroom departments, supported in many stores by interior design services.

Some dealers also became more actively concerned about issues that are or will affect their operations. For instance, lien law reform emerged as a topic of intensifying discussion as Texas lumber dealers succeeded in convincing their state governments to protect their interest on job sites, while dealers in Ohio and Colorado began lobbying for lien reform as well.

Other issues dealers grappled with in 1987, and which seemed destined to carry on this year, included:

- The shortage of workers in New England;
- The elimination of rebates, notably by Cotter and K mart, and what effect this will have on manufacturer promotions;
- Spot shortages of lumber;
- The Canadian lumber export tax; and
- The Florida ad tax, which found suppliers mounting a unified and successful front against a 5 percent surcharge that the state's governor eventually rescinded.

Another issue that loomed prominently in 1987 was safety. The deaths of two children at the two leading warehouse chains—Home Depot and Builders Square—prompted the National Retail Hardware Association to kick off a council to advise retailers on ways to help in safety issues.

Staid as it may be to the outside world, lumber products and lumber prices proved to have a memorable year. Prices hit record highs and record consumption, brought on chiefly by major forest fires, drought, and continued strong housing demand in the Northeast, Florida and California. In terms of specific products, treated lumber and redwood enjoyed record-breaking years for consumption and the trend is expected to continue in 1988.

Builders Square was one of the major beneficiaries from this. The San Antonio, Texas-based warehouse chain saw sales increase by 100 percent and its store growth by 31 units. But with Builders Square seeping in 1987 into virtually every major metropolitan market—with the exception of Boston, San Francisco, Phoenix, and New York—its store growth is expected to slacken in 1988.

While many medium-sized companies grew into large concerns in 1987—notably Westlake Hardware and Handy Andy—some lesser known operations also went on an acquisition binge.

For instance, The Strober Organization in Brooklyn, N.Y., began the process of acquiring the three-unit General Building Supply of East Hartford, N.H., a deal that closed in the first quarter of this year.

Wholesalers also showed some confidence by buying other concerns.

Hughes Lumber, Orlando, Fla., started it all in January when it purchased Paine Supply, Jackson, Miss., distributor and USCO, Monroe, N.C.

CoastAmerica purchased the Otasco auto chain and attempted to buy MacLeod's in Canada.

Bunzl USA, Florham Park, N.J., bought EESCO INC., an electrical distributor based in Chicago and Sterling Engineered Products distribution center in Columbus, Ohio. It also purchased Stanline, one of the more profitable building materials distributors in the country.

That confidence comes after the stock market crash last Oct. 19, which in retrospect was not as calamitous for dealers as initially expected.

However, a few companies, such as Pittsburgh's Busy Beaver and Fagen's chains, shelved plans to launch leveraged buyouts or go public. At the time of the crash, Busy Beaver was initiating an LBO from its parent, Dixons, and Fagen's was looking forward to an initial public offering.

Bridge closing gives retailers migraine

(Continued from page 7)
tive routes.

But what's more, Strober's drivers have had to lower their payloads to 10-11 feet from 12-13 feet in order to clear the tunnels they use to go into Manhattan. Gallagher estimates that each reduced load represents a loss of $300 to $400 in materials. He added the tunnel tolls are $6 for trucks each way, which can't be passed on to customers.

Bob Groeninger, sales manager at Strober's Brooklyn yard, said the company's customers have not yet complained about the delay in services caused by the closing.

"I guess it's a good sign," Groeninger said, "that they are sympathetic to our problem. But how long is that going to last?"

Andy Docar, manager of Marks Lumber, said his company is starting earlier to make deliveries across the East River. But he said the company is "trying religiously to avoid Manhattan."

Manhattan-based retailers, on the other hand, said they are not inconvenienced by the Williamsburg's closing. They further said they cannot tell if the current upswings they are experiencing in sales and orders are a result of the bridge's closing or the normal seasonal uptake in business that comes with spring.

The Williamsburg Bridge is traversed by about 250,000 of the 900,000 vehicles that come into Manhattan daily.

Local news stories on the shutdown have reported that it would take five to six years to replace the bridge.

But Victor Ross, a spokesperson for the New York Department of Transportation, the agency with jurisdiction over 846 of the city's 2,000 bridges, said if another bridge has to be built, the Williamsburg would be refurbished to sustain commercial traffic.

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National
Home Center News®

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The new Mr. Goodbuys store in Westbury, N.Y. continues the chain's tradition in kitchen displays. This dramatic vignette is for a high-tech kitchen worth $40,000. NHCN photo

Retailers fighting for position in lucrative Long Island market

By Elizabeth Brent

WESTBURY, N.Y.— The opening of Mr. Goodbuys' first stores on Long Island, N.Y., on April 20 was the first shot in a barrage being fired by a number of retailers coveting the populous Nassau-Suffolk metropolitan market near New York City.

Pergament, the Melville, N.Y.-based chain, along with Rickel, Channel and other local independents, will no longer have this densely populated and affluent market to themselves.

To defend its market share, Pergament just initiated an aggressive lowest price advertising blitz aimed at blunting Goodbuys' entry.

(Continued on page 62)

Wet spring puts damper on regional commodities sales

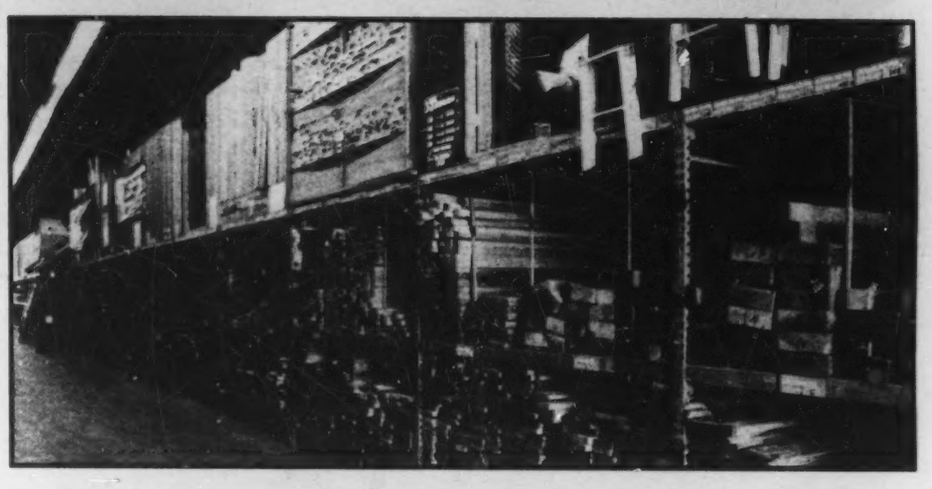
By Milford Prewitt

NATIONAL REPORT — Marred by a spring that is slow to catch on, some dealers of lumber and building materials in the Northeast and Midwest report they are sustaining high inventory levels and have canceled some orders.

In one of the more vivid examples of order cancellations, a barge heading into Pittsburgh on the Allegheny River with a cargo of 90,000 board feet of treated lumber was abandoned at the dock May 7 when a wholesaler declined to take delivery. Retailers familiar with the incident said the distributor later tried to offer their companies some of the cargo at unusually low prices.

In another case, a buyer for an aggressive New England-based chain whose company caters to contractors, lamented that lumber inventories at his company were so high during the months of March and April that some 125,000 board feet of both treated and untreated lumber on order remain in the hands of the company's wholesale suppliers.

(Continued on page 61)



Due to a wet spring in the Midwest and Northeast, dealers are finding their inventories of lumber backing up. NHCN photo

Redwood producers predicting busy season, greater demand

By Suzanne Floyd

NATIONAL REPORT — Redwood producers are looking forward to a busy deck-building season and expect heavy demand for their products as a result of their efforts to reduce freight and production costs.

The manufacturers report that kiln drying redwood at the mill for shipment east means less costly freight charges, a development that makes redwood competitive with treated lumber.

However, while production seems to be holding its own, growth is not expected in 1988, according to the Western Wood Product Association, (WWPA) in Olympia, Wash. In 1987, 2.2 million board feet of redwood were produced, but the association projected slightly less for 1988, at 2.1 million board feet.

According to the California Redwood Association (CRA),

(Continued on page 62)

Wholesalers regain place in distribution network

By Gary S. Ruderman

NATIONAL REPORT — After years of turbulence, the wholesaling sector settled down and and has become an equal partner with dealers and suppliers again in the distribution pipeline. The biggest challenges and changes for these distributors, though, are yet to come.

NHCN pegged sales growth among hardlines wholesalers at between 6 and 7 percent in 1987, based on interviews with 50 of the nation's leading hardware wholesalers, with the sales for the 40 largest companies ranked on page 16.

Most reported stronger sales in the third and fourth quarters, despite the October stock market crash, as interest rates steadied.

"Our market was stagnant until around last June and that's when our business started to take off," echoed Robert Morse, president of Morse Hardware in Bellingham, Wash.

(Continued on page 16)

More census stories begin on page 15

Earnings chart on retailers, wholesalers and manufacturers on page 61

Home centers find barter is sometimes better than cash

By Edward McKinley

NATIONAL REPORT — When Diamond Lumber decided to concentrate on contractor business, the company's distribution centers still bulged with vast quantities of consumer goods, including a heavy burden of lawn and garden supplies.

Already in Ch. 11, the Dallas-based chain was in no position to close out the inventory at a loss. That's when Diamond management discovered barter—the trading of goods and services without cash—a form of exchange rare in the home center business.

(Continued on page 62)

Warren Rothstein has been helping home centers with barter deals for the past four years.

INSIDE

NHCN's ANNUAL REPORT ON THE HOME CENTER INDUSTRY PART TWO

Hardlines wholesalers and co-ops have assumed a significant role in distribution to home improvement retailers, and their sales growth in 1987 reflects their renewed importance.

NEWSBREAKS

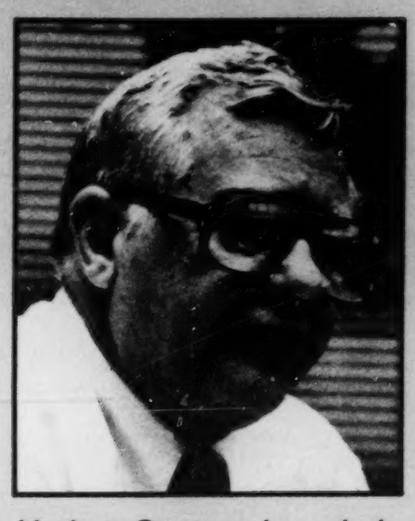
WAXMAN INDUSTRIES BUYS TWO UNITS OF STANLEY WORKS: The Bedford Heights, Ohio, plumbing and electricals supplier purchased the floor care and plumbing parts businesses from Stanley for an undisclosed price. The two units posted 1987 sales of $16 million.

PALMER G. LEWIS AGREES TO $39.1 MILLION BUYOUT: St. Louis-based Huttig Sash & Door, a subsidiary of Crane, would pay $11 per share for the Auburn, Wash., distributor, which has 3.5 million shares outstanding.

INDUSTRY UPDATE

Seats becomes retail consultant

NORTHBROOK, Ill. — Harlon Seats, former Diamond Lumber president, has been named vice chairman of Donald J. Miller & Associates here, a consulting company for suppliers and retailers in the home center and building materials industry.



Harlon Seats, vice chairman of Donald J. Miller & Associates.

Seats is working as a consultant for the company, "on a project basis when we need retail experience," said Mike Murray, company director of marketing.

Besides serving as president of Diamond, the Dallas-based, 63-store chain, Seats has worked for O'Malley Building Materials, the Phoenix-based chain, and was executive vp for Payless-Cashways, the 198-store chain headquartered in Kansas City, Mo.

Seats resigned from Diamond Lumber and gave up his board membership with Diamond's parent, Michigan General Corp., when the company filed for Chapter 11 reorganization late last year.

Ace opens Charlotte, N.C., DC

CHARLOTTE, N.C. — More than 1,000 retailers, families and invited guests coursed through Ace Hardware's new 350,000-square-foot distribution center here May 15 during its grand opening. The Charlotte "retail support center" shipped its first order April 11 and supports 325 Ace dealers in North and South Carolina, Virginia, West Virginia and Tennessee. It carries an average $13 million in inventory and 40,000 stockkeeping units.

An Ace spokesman said 95 percent of the 65 employees were local hires. The distribution center should pump $2 million a year into the local economy.

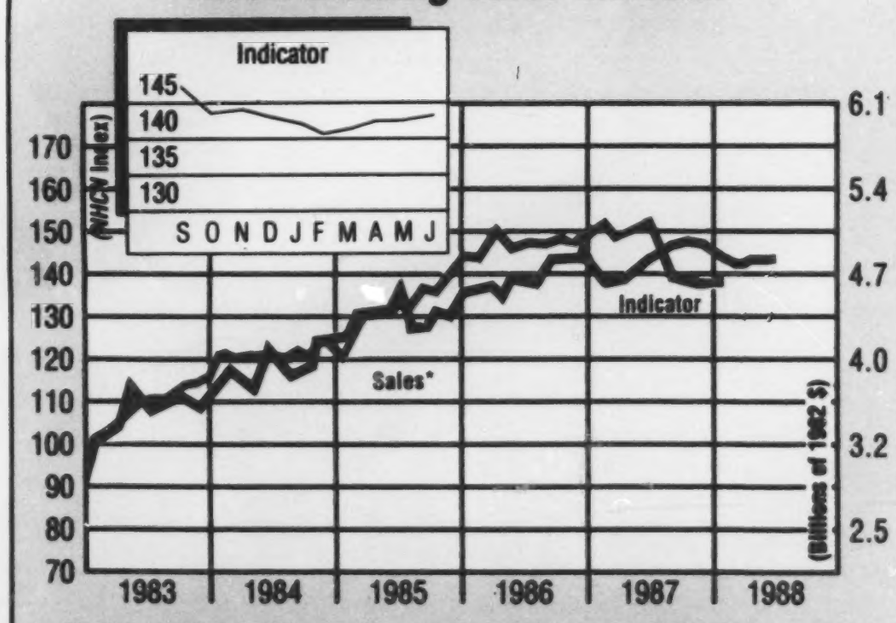
Ply Gem buys lumber treater

NEW YORK — Ply Gem Industries here acquired the Detroit-based Currier Lumber and its subsidiary Continental Wood Preservers, from its owners Fred Erb, president of Erb Lumber, Birmingham, Mich., and John Walsh, president of Currier. The May 16 transaction was for $3.8 million.

Erb acquired a half interest in Currier in 1980 when the old-line yard shifted its emphasis to lumber treatment, Erb said. Walsh will remain with the operation, which last year reported sales of $9 million, according to Ply Gem.

The Currier-Continental acquisition will operate under Ply Gem's Hoover Treated Wood Products subsidiary, Thomson, Ga.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator points to a decline in sales in the second quarter due to weakness in single-unit starts and resales. Business Watch (p. 51) highlights a rebound in consumer confidence and an improved outlook for sales.

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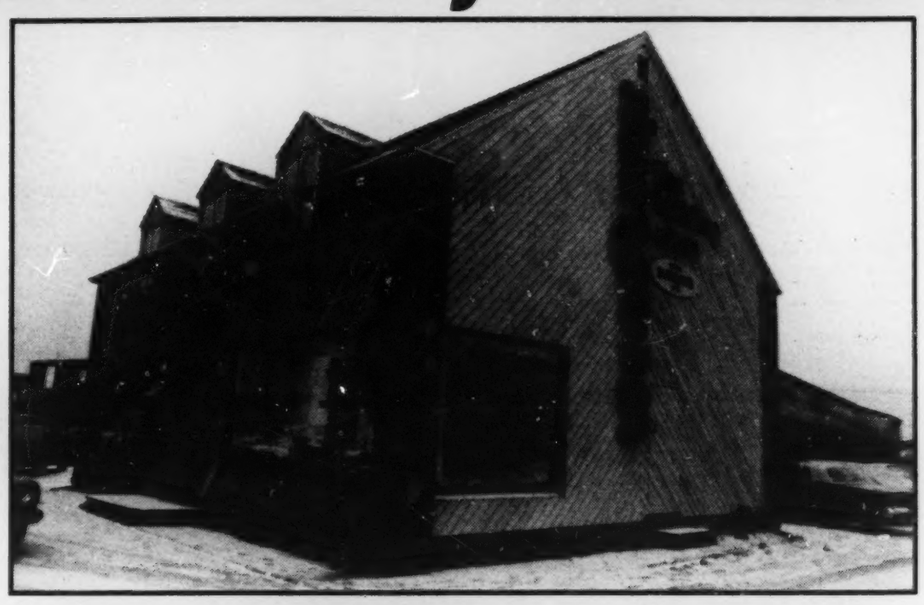
British firm buys Woodbury's after 60 years as family business

By an NHCN staff editor

GLENS FALLS, N.Y. — After 60 years as a family business, Woodbury's has been sold to a British firm for an undisclosed amount.

Mike Woodbury, who owned the company with his brother, Ralph "Skeets" Woodbury, said they decided to sell because "we didn't have a generation that's ready to come in, and my brother and I felt it was just getting too big to hold on to."

The brothers closed the deal with Harrisons & Crosfield on April 30.



Harrisons & Crosfield, a British firm, has purchased Woodbury's, which has been a family operation for 60 years, as its first step in developing U.S. operations. NHCN photo

First step in U.S.

In a statement, the British chemical and building supply company said the purchase is the first step in its development of U.S. operations.

Harrisons will retain Woodburys' staff, Mike Woodbury said. Brian Jermyn, of Harrisons, will manage the $41 million chain. Woodburys operates nine units in New York and Vermont.

Mike Woodbury has a year-long consulting agreement with Harrisons. The brothers also retained Harvest Homes, a panelized housing operation.

Founded in 1928 by Clayton G. Woodbury and his son Ralph, Woodburys was originally geared for contractors.

In 1958, the company built an 8,000-square-foot store in Burlington, Vt., creating the prototype for its contractor/DIY stores.

Major lighting fixtures importer makes IPO of 920,000 shares

By an NHCN staff editor

MIAMI — Catalina Lighting, a major importer of lighting fixtures and related products, made an initial public offering of 920,000 shares at $3.50 each on May 12.

The stocks will be traded on the American Stock Exchange and will be listed under the symbol LTG.

Capital raised by the IPO will be used to increase inventory within existing product lines, according to David Moss, chairman and president.

Catalina Lighting reported net income of $152,000 on revenues of $4,860,000 for the three months ended Dec. 31, 1987, compared to $98,000 for the same quarter, 1986.

The company designs, imports, warehouses, markets and distributes lighting fixtures, security devices and ceiling fans. It supplies these products to home centers and mass merchants.

Study shows customers with store credit will buy

By an NHCN staff editor

STAMFORD, Conn. — Customers who have store credit cards are more likely to make purchases in those stores than customers who don't have them, and customers with home center cards are the most likely of all to buy.

Those are among the findings of a just-released report commissioned by GE Capital Retailer Financial Services (formerly GE Credit), based here, which manages credit card programs for retailers.

The survey, done by Elrick and Lavidge Inc. of Atlanta, found that 96 percent of the respondents who had home center credit cards had made purchases on the day they were surveyed, as opposed to 82 percent of shoppers who didn't have cards.

Shoppers with a home center credit card spent an average of $118.60, compared with an average $29.30 spent by shoppers without cards.

That compares to an average $75.60 spent by shoppers with department store credit cards, and $53.70 spent by shoppers without those cards.

There was a similar difference on a yearly basis, with home center credit card shoppers spending an average of $849 annually, compared with an average $583 spent by shoppers without cards.

Department store card holders said they spent an average of $774, compared with $423 spent on average by those without cards.

In all cases, shoppers with store credit cards also spent more than those with American Express or bank cards, such as MasterCard and Visa.

More than 2,000 interviews were done for the survey, during late December and early January. Shoppers were questioned in the North, South, East and West.

Some 498 home center shoppers were surveyed.

Investor group acquires stake in Payless

By an NHCN staff editor

KANSAS CITY, Mo. — Investor Asher Edelman has teamed with Sutherland Lumber to buy 7.6 percent, or 2.56 million shares, of Payless Cashways' stock for $19 a share.

The group, as of May 20, may also have purchased another 519,000-share block, making its stake 9.2 percent.

Stung by these rumblings, Payless' board adopted a shareholders' protection defense which, it claims, "is not aimed at preventing a takeover but to encourage a buyer to negotiate" with the board.

Company officials declined to comment about their plan

(Continued on page 57)

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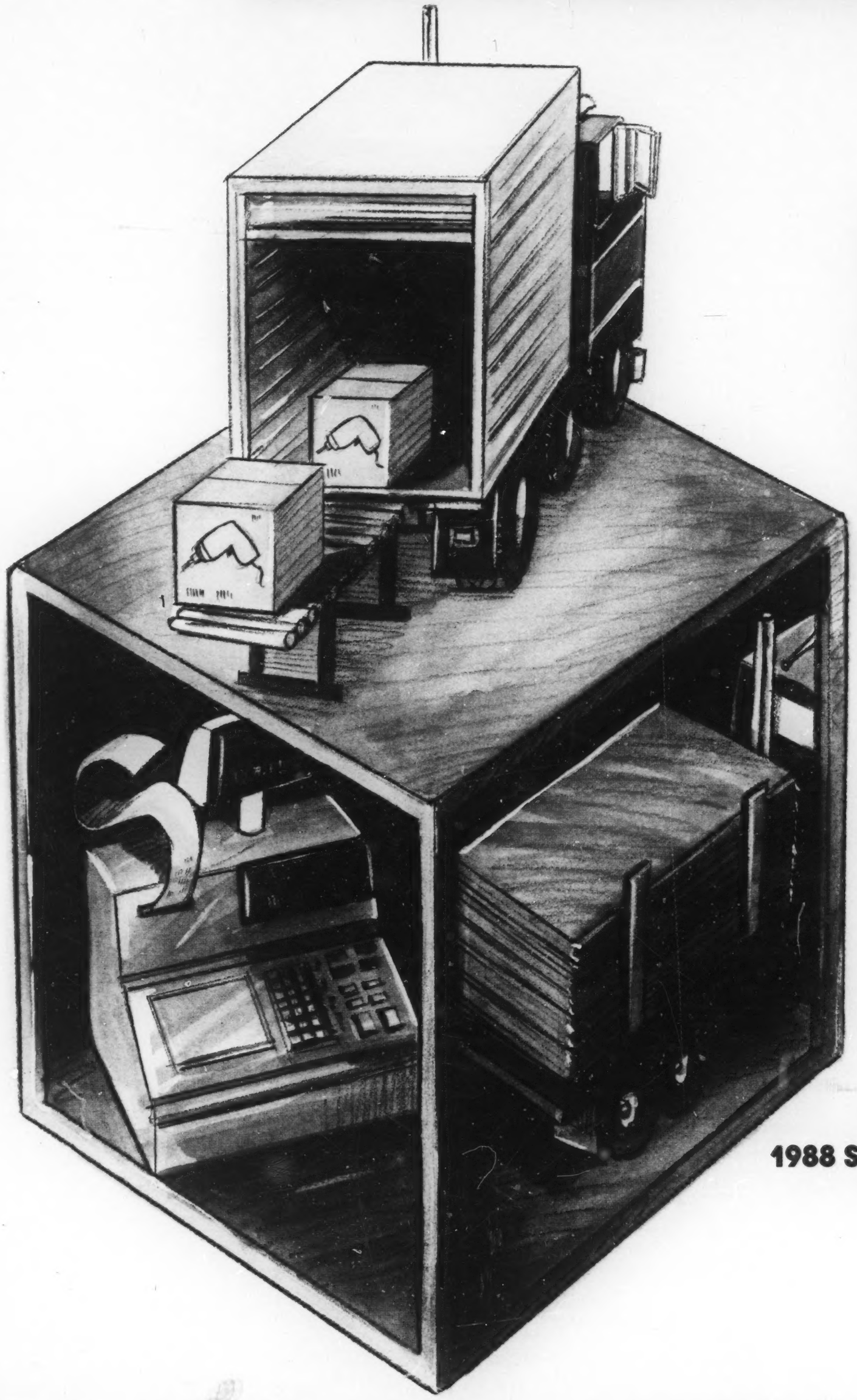
Perspectives

Section 2

The *NHCN* Annual Report on the Home Center Industry



PART TWO: THE TOP FULL-LINE HARDWARE WHOLESALERS

Hardlines wholesalers continue to be an important link between dealer and manufacturer, as these distributors have expanded their lines (some into commodities) and market reach through the addition of new facilities. *NHCN's* Top 40 full-line hardlines wholesalers increased their sales an aggregate 7.4 percent; more important, these distributors increased the number of dealers they ship to by 8.7 percent. The leading hardlines co-ops showed more impressive results, increasing aggregate sales by close to 12 percent to $5.6 billion.

1988 Sales Projections for Hardlines

Wholesalers regain their place in distribution 16

Hardware wholesale co-ops post healthy gains in 1987 17

Reports on regional sales show mixed economy 44

Perspectives

Wholesalers regain their place in distribution pipeline

(Continued from page 1)

Nine of the companies surveyed reported sales gains of 17 percent to as high as 36 percent; just seven distributors reported flat sales.

Even the depressed Texas market appears to be coming out of its tailspin, according to Stanley Jones, president of Buhrman-Pharr, a hardlines wholesaler in Texarkana, Ark., which distributes to that state. But at least two large firms who ventured into the South and Southwest in the last two years—the Wyeth Company, St. Joseph, Mo., and Atlanta's General Hardware—closed operations there last year and reported lower 1987 sales.

Growth appeared to have come from specialization rather than an upswing in new customers. Farwell, Ozmun, Kirk in South St. Paul, Minn., brought on a building materials program last year, following the lead of Maine's Emery-Waterhouse, and boosted sales more than 12 percent. In Tampa, Fla., Spicola Hardware sees growth coming from an ancillary business: light manufacturing and importing lawn and garden items. That area accounts for 30 percent of Spicola's business today.

> "Even the major warehouse home centers are recognizing products that fit a distribution pattern and that won't make them overinventoried by buying direct."
>
> **—Tom Fernley,**
> *executive director, National Wholesale Hardware Association*

Technology investments helped to boost sales, or at least control expenses, for several distributors.

California Hardware in City of Industry, Calif., cut 40 employees last year compared to 1986 as a result of its automation.

At Decatur-Hopkins, a Taunton, Mass., independent wholesaler, a laser reporting system helps allocate warehouse employees efficiently and helps boost fill rates to more than 96 percent. A believer in technology, Decatur-Hopkins just plowed $670,000 into a new generation of computer, increasing storage there four to five times, according to Paul Carey, director of purchasing.

There were no reported bankruptcies in 1987, according to industry executives, although it was a year of rebuilding for at least two oldline firms, the venerable George Worthington Co. in Ohio and S&T Hardware near Louisville, Ky. Worthington's fall dealer market was heavily attended even while the company was still in Chapter 11 protection from creditors.

"In general, the fallout in the industry stopped," observed Terry Smith, president of California Hardware. But a new round of acquisitions began.

In May last year, Emery-Waterhouse in Portland, Maine, acquired the stock of Virginia-based Fries, Beall & Sharp. Emery-Waterhouse not only picked up new business, including sales to Hechinger and mass merchandisers, but extended its reach down the Eastern Seaboard to Virginia. And the publicly held Moore-Handley, Pelham, Ala., acquired certain assets of Pleasants Hardware in Winston-Salem, N.C.

That kind of acquisition, to extend a wholesaler's reach, will proliferate in the next four years. According to the late-1987 study of the wholesale distribution industry, 25 percent of today's distributors won't be in existence in 1995; many of them will be swallowed by mergers and the rest will fade away.

The updated study, *Facing the Forces of Change 1987*, by the National Association of Wholesaler-Distributors (Distribution Research and Education Foundation) in Washington, and the worldwide accountancy Arthur Anderson & Co., predicts contraction as:

- Large wholesalers increase market share by 30 percent through 1995 at the expense of small- and medium-sized firms;
- Financing becomes increasingly harder to get. Where bank financing used to account for 70 percent, it will drop to 50 percent in 1995 and lines of credit will disappear. And as existing companies spend more to increase use of technology, internally generated capital won't suffice; and
- New management becomes harder to find. Today, 8 in 10 wholesale distributors are privately owned and "60- to 65-year-old owners who started the company are looking for management," said one of the study's authors. The study predicts that by 1995, 39 percent of ceos will be from outside the family, up from the current 32 percent.

The study of distribution in SIC codes for durables and nondurables was aimed primarily at the hundreds of smaller, specialty companies, observed Tom Fernley, executive director the National Wholesale Hardware Association (NWHA). While believing the hardware distributor has already gone through the period of consolidation, Fernley nonetheless agreed with the findings.

"Even the major warehouse home centers are recognizing products that fit a distribution pattern and that won't make them overinventoried by buying direct," said Fernley at the NWHA in Philadelphia.

Top Full-line Hardware Wholesalers

Company	$Mil. Sales '87	$Mil. Sales '86	Retail Customers '87	Retail Customers '86	% Sales DIY '87	% Sales DIY '86	Number of Warehouses (SKU's offered)	Number of Trucks
General Hardware Atlanta	142	146	2,500	2,500	95	95	4 *36,000*	82
Emery Waterhouse Portland, Maine	133	113	1,200	1,080	100	100	3 *28,000*	21
Farwell, Ozmun, Kirk South St. Paul, Minn.	117	102	1,700	1,600	80	80	3 *35,000*	0
California Hardware City of Industry, Calif.	116	100	850	900	100	100	1 *39,000*	34
Orgill Bros. & Co. Memphis, Tenn.	100*	90	10,000	10,000	100	100	7 *45,000*	72
Moore-Handley Pelham, Ala.	98	82	3,400	3,400	100	100	2 *32,000*	65
L. G. Cook Co. Grand Rapids, Mich.	75	72	1,200	1,200	100	100	1 *20,000*	20
Masback Hardware North Bergen, N.J.	70	60*	1,500	1,500	100	100	2 *28,000*	21
Decatur-Hopkins Taunton, Mass.	65	52	1,500	NA	50	NA	1 *25,000*	14
Jensen-Byrd Co. Spokane, Wash.	65*	65*	3,000	3,000	100	100	1 *38,000*	9
Frederick Trading Co. Frederick, Md.	63	52	800	600	NA	NA	1 *36,000*	40
Witte Hardware St. Louis, Mo.	60	52	1,218	1,157	60	60	1 *30,000*	42
RKB Enterprises Elmira, N.Y.	60	55	1,200	1,200	NA	NA	1 *30,000*	14
Nuway Distributors Baltimore, Md.	57	55	6,400	6,200	NA	NA	14 *20,000*	220
Ralar Distributors Plainview, N.Y.	52*	50*	700	700	90	90	1 *7,500*	0
Panic Distributors Columbus, Ohio	50	40	50	50	5	5	2 *8,000*	8
Bostwick-Braun Co. Toledo, Ohio	47	47	1,100	1,200	NA	NA	1 *32,000*	15
George Worthington Co. Mentor, Ohio	42	53	900	900	100	100	1 *32,000*	12
Blish-Mize Atchison, Kan.	37	33	1,200	1,200	80	80	2 *35,000*	25
Barnstable County Supply Boston	35	35	300	200	NA	NA	2 *6,000*	12
Wallace Hardware Morristown, Tenn.	34	33	2,000	2,000	85	NA	1 *25,000*	40
Wyeth Co. St. Joseph, Mo.	30	45	2,000	NA	NA	NA	1 *29,000*	30
New Holland Supply New Holland, Pa.	28	26	4,500	4,500	5	5	1 *12,000*	12
Honsador, Inc. Ewa Beach, Hawaii	28	26	8	8	NA	NA	3 *3,500*	12
Spicola Hardware Tampa, Fla.	27	27	2,000	2,000	41	41	3 *25,000*	15
Hardline Marketing Co. Milwaukee	27*	25	100	100	50	50	1 *19,000*	4
S&T Wholesale Hardware Jeffersonville, Ind.	25*	25*	1,000	850	90	90	1 *NA*	NA
Sunshine Industries Cleveland	24	12	1,500	900	15	5	1 *14,000*	4
Heusinger Hardware San Antonio, Texas	22	20	1,500	1,300	80	80	1 *17,000*	18
Building Products Watertown, S.D.	21	13	NA	NA	NA	NA	NA *NA*	NA
Morse Hardware Bellingham, Wash.	20	18.8	400	400	50	50	1 *28,000*	8
Leight Sales Carson, Calif.	20	20	300	300	100	100	1 *12,000*	6
Buttery Hardware Plano, Texas	18	21	700	700	85	85	1 *21,000*	10
Brown-Roger-Dixon Winston-Salem, N.C.	15	15	2,000	2,000	30	30	4 *12,000*	16
Summers Hardware Johnson City, Tenn.	15	15	1,500	1,500	35	35	1 *28,000*	14
Butterman-Pharr Texarkana, Ark.	14	14.5	2,200	2,200	85	85	1 *12,000*	16
Blackstone Supply Providence, R.I.	10.4	10	375	375	80	75	1 *15,000*	5
Wagner Hardware Mansfield, Ohio	8	7.5	800	800	80	80	1 *19,000*	6
Biscayne Electric and Hardware Miami	8	7.5	600	600	95	95	1 *20,000*	5
Ogilvie Hardware Shreveport, La.	6	5.7	900	750	75	75	1 *12,000*	6
Totals & Averages	1,884	1,755	65,101	59,870	72	77	22,500	953

**NHCN estimate*

Top Hardlines Co-ops

Rank '87	Rank '86	COMPANY	SALES Total sales ($ mil.) '87	'86	% chg.	Lumber & Building mat'ls as % of sales '87	'86	STORES Dealer stores '87	'86	No. of home centers '87	'86	HC sales as % of total '87	'86	No. of warehouses (tot. sq. ft.) 1987	INVENTORY ANALYSIS Min./max. inventory ($ mil.) '87	'86	Stock keeping units '87	'86	Sales to inventory ratio '87	'86	% of sales from drop shipment '87	'86	CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship '87	'86	EMPLOYEES No. of employees 1987
1	1	**Cotter & Co.,** Chicago	**1,854.0**	1,734.0	6.5	**6.0**	6.0	**7,200**	7,100	**1,600**	1,600	**30.0**	30	15 (6.5 mil.)	**236**	236	**32,000**	32,000	**6.0**	6.0	**41.0**	41	**5-15 6 2**	5-15 6 2	**3,700**
2	2	**Ace Hardware,** Oak Brook, Ill.	**1,198.0**	1,061.0	11.4	**NA**	4.5	**5,000**	4,800	**1,600**	1,600	**41.0**	41	14 (5 mil.)	**136-181**	120-165	**3,900**	3,900	**5.2**	5.3	**31.0**	32	**10 6 2**	10 6 2	**2,477**
3	3	**American Hardware Supply,** Butler, Pa.	**1,040.0**	842.0	19.0	**42.2**	36.0	**3,725**	3,700	**1,502**	1,463	**59.5**	47	6 (2.02 mil.)	**75-100**	60-73	**37,000**	34,000	**5.0**	5.0	**21.1**	27	**5-15 6-10 0-3**	5-15 6-10 0-3	**1,279**
4	5	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	**885.0**	783.0	11.5	**35.0**	30.0	**2,750**	2,700	**1,650**	1,650	**50.0**	50	5 (1.9 mil.)	**61-74**	48-63	**35,700**	35,000	**13.0**	13.0	50.0	50	**no adder up depending on cost of handling**		**736**
5	7	**CoastAmerica** Denver	**354.3**	336.0	5.2	**NA**	NA	**980**	950	**NA**	NA	**NA**	NA	3 (1.1 mil.)	**NA**	50	**35,000**	28,000	**NA**	NA	**10**	10	**NA**	NA	**1,112**
6	13	**Our Own Hardware** Burnsville, Minn.	**131.0**	121.0	7.6	**17.0**	12.0	**1,200**	1,200	**475**	475	**40.0**	33	2 (800,000)	**15-21**	15-21	**35,000**	33,000	**5.0**	5.0	**33.0**	28	**7-11 6 2**	7-11 6 2	**350**
7	14	**United Hardware Distributors** Minneapolis, Minn.	**91.5**	91.0	0.5	**5.0**	NA	**550**	501	**30**	30	**5.0**	5	1 (420,000)	**10-15**	10-15	**37,000**	33,000	**5.9**	6.2	**13.3**	13	**2-11 2-5 1**	2-11 6 1	**272**
8	16	**Handy Hardware Wholesalers,** Houston	**47.0**	44.0	6.4	**4.0**	4.0	**620**	592	**NA**	135	**NA**	25	1 (200,000)	**NA**	6.5-7.5	**20,000**	20,000	**5.4**	6.0	**23.0**	22	**9 5 1**	9 5 1	**131**
9	17	**Connecticut Hardware** Cromwell, Conn.	**11.5**	10.0	13.0	**0**	0	**62**	59	**5**	5	**5.0**	5	1 (35,000)	**1.9**	1.5	**25,000**	32,000	**5.5**	6.2	**23.0**	29	**NA**	NA	**15**

NHCN estimates

Source: *NHCN* research 1986 rankings included building materials co-ops.

While their dealer count rose marginally, the industry's leading hardlines co-ops increased their sales an aggregate 11.7 percent to $5.6 billion, thanks in large measure to their aggressively pursuing the distribution of building products.

Co-ops post dollar gains, experiment with LBM sales

By Suzanne Floyd

NATIONAL REPORT — Sales by the nine leading hardware wholesale co-ops collectively grew 11.7 percent over 1986 totals, to more than $5.6 billion.

Affiliated dealer store counts also rose to 22,087 in 1987 from 21,602 in 1986.

The trend toward increased sales of building materials continued in 1987, and was perhaps best marked by the recently agreed-to joint venture between CoastAmerica Corp. in Denver and Builder Marts of America (BMA), Greenville, S.C.

After merger plans between Coast and BMA collapsed, discussions took place regarding the development of the joint venture.

Under the terms of the program, CoastAmerica, which sells hardlines to franchised Coast to Coast dealers, will provide hardlines for Builder Marts dealers. BMA, an employee-owned, dealer-services group that serves as a building materials broker, will buy commodities for Coast stores.

Cotter & Co., the nation's largest co-op, manifested its dedication to lumber and building materials sales by holding its first buying show specifically for these products last January in Florida.

Cotter, which got 6 percent of its $1.85 billion in sales last year from the distribution of commodities, joins Ace Hardware in its attempt to broaden its market reach to retail building materials independent dealers.

The success of Hardware Wholesalers Inc. (HWI) and ServiStar in developing this end of their businesses has, in part, prompted the moves by Ace and Cotter.

Indeed, ServiStar—the name American Hardware Supply will officially use starting in July—increased the number of items it offers out of warehouse to 37,000 from 34,000 in 1986, many in the nonhardlines area, according to company officials.

This is not to say, though, that the hardware co-ops were ignoring the hardware side of the market. For many, stock-keeping units rose appreciably: Our Own Hardware's offering jumped 2,000 skus to 35,000. And United Hardware Distributors increased the number of products it can deliver to dealers by 4,000 items, to 37,000.

United, the Minneapolis-based co-op, was also in the news when it became a member of Pro Hardware, the Stamford, Conn.-based wholesaler marketing organization. This is the first time a co-op had hooked up with one of the seven leading marketing groups. As such, it represents a break in tradition that has long separated the two channels of buying conducted by co-ops and independent wholesalers.

This signing is expected to allow both companies to buy merchandise more competitively. And the combination also points to the growing importance of these marketing groups for both manufacturers and dealers.

Liberty Distributors, the Des Plaines, Ill., group, was able to lasso Payless Cashways' business and its wholesaler-members have begun selling certain items to 180 of Payless' stores.

(Continued on page 18)

Wholesaler Marketing Organizations

Rank	Company	Sales (mil. $) '87	'86	% chg.	No. of wholesalers '87	'86	Affil. dealers/ total customers 1987 1986	% of home centers '87	'86	Wholesaler warehouses '87	'86	Aggregate Inv. (mil. $) '87	'86	Sku's 1987 1986	No. of employees '87	'86	Advertising: corporate wholesaler 1987 1986
1	**Liberty Distributors,** Des Plaines, Ill.	**930**	860	7.5	**23**	24	**2,850/27,000** 2,905/32,000	**25**	**35**	**50**	50	**142**	135	**32,000** 30,000	**47**	43	**$4.0 mil./ $1.2 mil.** $3.8 mil./ $1.0 mil./
2	**Associated Building Materials,** Scottsdale, Ariz.	**819**	800	2.3	**51**	50	**NA/NA** NA/NA	**85**	85	**83**	88	**175**	170	**NA** NA	**3**	3	**NA** NA
3	**Sentry Hardware,** Des Plaines, Ill.	**650**	550	15.4	**15**	14	**5,700/5,700** 5,700/5,700	**20**	20	**22**	22	**150**	135	**26,000** 26,000	**17**	16	**$7 mil./NA** $7.0 mil./NA
4	**Pro Hardware,** Stamford, Conn.	**615**	615	0.0	**15**	14	**5,000/14,000** 5,100/16,700	**NA**	NA	**22**	22	**105**	105	**24,000** 24,000	**17**	17	**$1.2 mil./ $3.0 mil.** $1.0 mil./ $3.0 mil./
5	**Reliable Hardware Wholesalers,** Wheeling, Ill.	**457**	55	87.9	**35**	7	**0/16,525** 0/3,340	**32**	29	**36**	7	**83**	13	**19,500** 3,340	**6**	4	**NA/NA** NA/NA
6	**ValTest Distributors,** Chicago	**425**	425	0.0	**37**	34	**1,000/6,000** 1,000/6,000	**15**	10	**43**	42	**41**	41	**13,500** 13,500	**9**	10	**$75,000/ $200,000** $87,000/ $600,000/
7	**Allied Services,** Chicago	**325**	295	9.2	**30**	30	**NA/18,500** 800/18,300	**20**	12	**31**	31	**70**	68	**22,000** 23,500	**5**	5	**$265,000/ $240,000** $240,000 $220,000
8	**Associated Hardware Buyers,** Gainesville, Ga.	**130**	130	0.0	**21**	22	**NA/NA** NA/NA	**NA**	**NA**	**25**	22	**NA**	NA	**NA** NA	**4**	4	**0/NA** 5,000/NA

The stature of wholesalers affiliated with the leading marketing groups rose appreciably in 1987, particularly when Payless Cashways signed with Liberty Distributors to have Liberty's wholesalers ship 180 of its stores.

Perspectives

annual census/hardlines

CoastAmerica, the franchisor of Coast to Coast hardware stores, plans to increase sales volume by better using "under-utilized assets" such as its distribution centers and trucking fleet. Another part of that strategy is its deal with Builders Marts of America, in which it will be BMA's exclusive wholesale supplier of retail merchandise. NHCN photo

Dan Cotter, president of Cotter & Co., oversaw a year of strong growth for the nation's largest full-line hardware wholesaler. Cotter posted a 6.5 percent gain in total sales, and a whopping 25.4 percent gain in net income. NHCN photo

Ace Hardware, whose 1987 convention was held in Reno, Nev., posted sales of more than $1 billion last year. Ace spruced up its image by changing its logo for the first time in 60 years. It also signed TV football commentator John Madden as its corporate advertising spokesman, a shift away from its previous homey neighborhood hardware store image to a higher profile image. NHCN photo

Co-ops have increasing success with LBM sales

(Continued from page 17)

Sentry Hardware, also in Des Plaines, caused a stir when it announced its "commonalty"[*sic*] program whereby certain suppliers would be allowed exclusively to participate in its marketing programs.

Changing images

Ace Hardware, the Oak Brook, Ill., co-op, was also party to change—if not turmoil—last year. For the first time in 60 years the second largest co-op changed its logo, and to support the new corporate identity, it set aside $1 million to finance dealer acquisition of the redesigned signage.

In another facelift, Ace signed John Madden, the CBS football commentator, to a 2½-year contract as its corporate advertising spokesperson. This signaled a shift by Ace away from the homey neighborhood hardware store appeal its television commercials had projected in favor of a higher profile image.

While Ace was sprucing up its image on the tube, it found itself shoring up its executive ranks last August when it fired its vp-merchandising and advertising Frank A. Szymanek, and Brent L. Brown, marketing and merchandise manager supervising the Ace import program.

The reason for the firings was explained as "various serious violations of corporate policy." The firings occurred in the wake of the resignation of Steve Hoag, Ace merchandise manager supervising the company's new lumber and building materials distribution program. (Hoag eventually wound up with Handy Andy Home Improvement Centers.)

In a subsequent interview with *NHCN*, Szymanek, speaking from his home in Olympia Fields, Ill., said that he was "kind of burned out" from the job and would be looking for something that "required less brainwork."

Szymanek, who had been in the seminary before going into business, said he was also investigating going into the ministry. About his firing, Szymanek bore no ill will towards Ace, calling it "a damn good company."

He was eventually replaced by Ace's former vp-finance Dave Hodnik, as part of a realignment by Ace of its corporate responsibilities.

Changing management

ServiStar, whose sales have been growing at the fastest rate among all the co-ops, also did some corporate shifting by adding a new layer of upper management. Eight operating officers were appointed from within the organization.

Other executive musical chairs included the resignation of CoastAmerica's president and chief operating officer Ralph Dillon. Richard H. Bard, Coast's 39-year-old chairman and ceo, assumed Dillon's titles.

Dillon, 46, said his decision to leave last August was mutually agreed upon after Bard and he discussed several alternatives.

Dillon, last November, was named president and ceo of Family Dollar Stores, a discount store based in Matthews, N.C.

New sales strategy

Meanwhile, CoastAmerica plans to increase sales volume outside its traditional base of hardware stores by using "under-utilized assets" such as its distribution centers and trucking fleet, according to Bard.

This diversification included the BMA deal, in which CoastAmerica would install "turnkey" front-end hardware departments in an undetermined amount of BMA lumber yards. Coast, then, would become BMA's exclusive wholesale supplier of retail products.

Last November CoastAmerica also acquired the assets of Bill Watson Hardware, a nine-store chain based in Tampa, Fla. Sales of the units were in excess of $4 million.

Census Methodology

The data on this census issue were culled from information provided directly from the companies listed. Any estimates made by *NHCN* were based on existing market data, information provided from competitors and vendors, and from our reporters' knowledge of the market.

In the following pages, *NHCN* introduces a new section for the census issue: an evaluation by vendors on what trends they expect to emerge from their respective product categories. The leading suppliers in each category were contacted to get their assessment of the market and what can be expected through the rest of 1988.

In addition, several of the stories are accompanied by market charts, assembled from information provided by vendors, listing the size of the retail sales market in that category, how much larger it is expected to become by year's end, and what a typical retailer's turnover and gross margins are in the category.

NHCN, in putting together these charts, generally relied on conservative estimates.

Perspectives

annual census/hardlines

The market for hinges, knobs and cabinets is estimated at $100 to $125 million at home centers. NHCN photo

Two-step distribution back in vogue with hardware retailers

The multi-billion dollar hardware market is expected to post small increases in sales in 1988. That's due in part to strong 1987 sales, a widening of competitor's offerings and a stabilization in the avenues of distribution.

The overall hardware category is a tough one to get a handle on. At its core are builders hardware, door locks, fasteners and wire goods, including nails in some counts. The so-called surface trim market (including hinges, pull, knobs and catches) represents about $100 to $125 million in volume at the home center retailer.

While retailers looked at direct sales during the turbulent 1985-87 period in the distribution and warehouse chain sectors, two-step distribution is back in vogue. With a few large bankruptcies and few mergers and acquisitions of distributors last year, distribution patterns seem set.

Now program distributors like Illinois' Liberty Distributors are gaining importance.

"We've seen the program distributors really compete with the co-ops," said Scott Bannell, vp of marketing for Stanley Tools.

Bannell said where the co-ops had "phenomenal growth 10 years ago," their recent growth is being eroded by the buying groups who boast growing members and, like Sentry Hardware, Des Plaines, Ill., growing vendor clout. Sentry's "commonlty" program brings a like vendor assortment to its national distributor members.

The jury is still out on whether the remaining warehouse home center retailers (Home Depot, Builders Square and Home Club) will gravitate to "traditional" two-step distribution.

"The general trend was toward two-step and that's matured," said Mike Kreeger, national accounts manager for National Manufacturing. "People are settled into their buying decisions."

Merchandising hardware has become more difficult. Vendors like National and others report retailers demand more customized displays to fit each plan-o-gram.

Certain categories, such as screens, fit into seasonal sections and inventory turns increase a percentage point above "traditional" hardlines.

"We really see the seasonal demand increasing not only for traditional uses but for solar (diffusion) as well," said one wire industry executive. Wire and screen account for an estimated $400 million in annual volume to retailers.

On the decorative end of hardware, like cabinet hardware, turns typically are between 1.5 and 2.2 turns a year, according to Bill Skelly, vp of sales and marketing at Belwith, City of Industry, Calif.

"The saving grace for cabinet hardware is it is a profitable line. It returns above average profit despite low turns. With a power tool you'd get 10 turns but less than 25 percent gross margin," said Skelly.

Hardware

Est. retail market:	$2.2 billion
Retail sales growth:	8.5 percent
Avg. turns:	2.5
Avg. gross margin:	46 percent

NHCN chart

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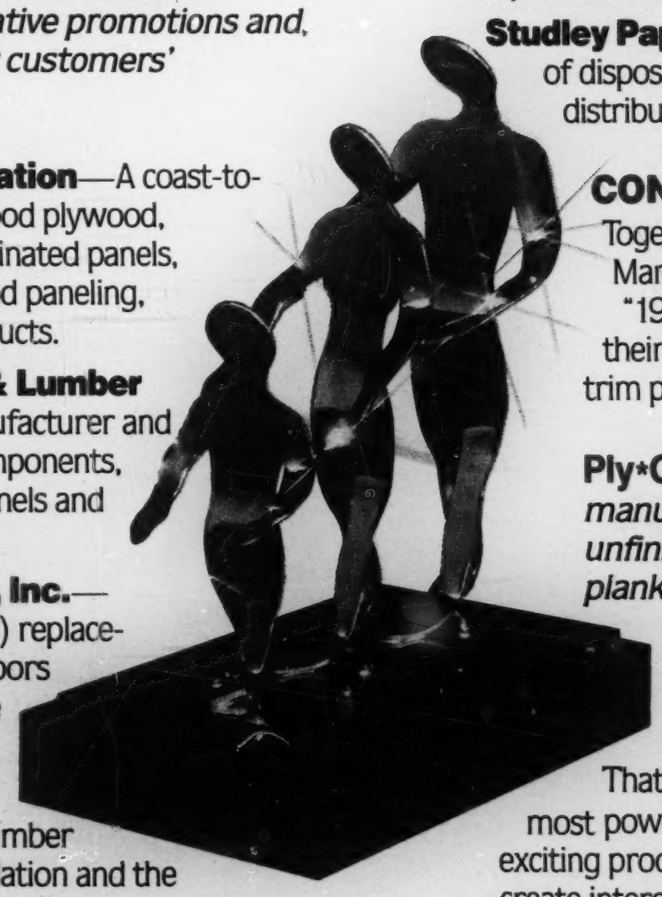
Great Lakes Windows, Inc.—Manufacturer of rigid (PVC) replacement windows and patio doors featuring patented "R" core insulation.

Hoover Treated Wood Products—Treaters of lumber and plywood for fire retardation and the control of insects, natural decay and wood-rot.

Chateau, Inc.—Manufacturers of vinyl siding, vinyl soffits and Varibest® skirting.



Air Filters, Inc.—Manufacturers of cloth and vinyl vacuum cleaner bags and high-technology filtration products for air pollution control and liquid/solid separation processes.

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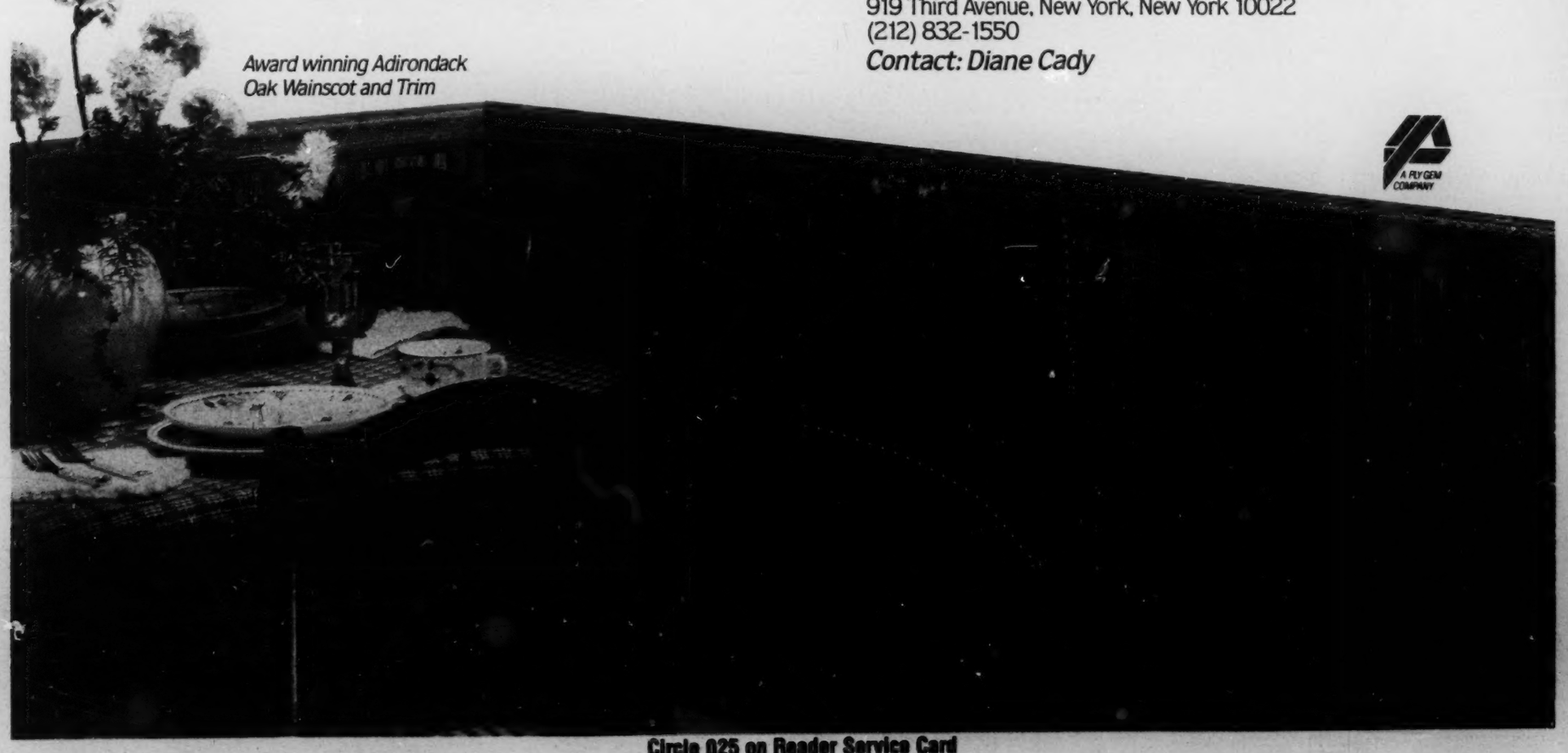

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Perspectives

annual census/hardlines

Safety, home control add charge to electricals sales

New safety products and home control systems are helping to propel electricals sales to home improvement stores, a category whose huge 35 to 40 percent margins are some of the highest of any among products sold by home centers.

In fact, home control, with timers and infrared lights and motion detectors, is seen as such an attractive product area that well known suppliers such as Stanley Works, Black & Decker and Honeywell have introduced their own lines.

Manufacturers are predicting sales growth rates of between 10 and 45 percent in the category in 1988, due in part to the onslaught of such new products, but also due to a far stronger marketing thrust to make the products known.

"It's more of a marketing challenge as opposed to a sales challenge today," said Dan Bonini, marketing manager for Leviton, the Little Neck, N.Y.-based supplier. "The differences between suppliers now revolve around product innovation, merchandising and promotion."

Last frontier for DIY

The electricals area, seen by many as the last frontier for DIYers, is being promoted as never before.

Dealers' advertising is regularly tied into national promotions with giveaways and sweepstakes.

Leviton ran a sweepstakes in 1987 to draw attention to its new ground-fault circuit interrupter (GFCI), and in 1988 Carlon, the Cleveland supplier, will soon launch its first national TV campaign.

However, one product area with a low profile in 1987 was builders wire and extension cords. The fluctuating prices of both copper and PVC resin made dealers and suppliers such as Carol Cable and Woods Wire leery of promoting any given price.

Color attracts attention

Woods, the Carmel, Ind.-based supplier, is finding its own way of attracting attention, bringing new colors and therefore a taste of fashion to the cord business. It now makes a green extension cord for outdoor work and a beige cord for decks.

The future electricals department may see more merchandising of "cord management," such as extension cords packaged with cord winders or cord straps, and GFCI's sold as part of the cord itself.

Dealers may be looking for product innovation but their priorities now lie in other areas.

New marketing goals

"The actual [DIY] application of my product is often the 10th thing buyers ask," said Ken Richards, marketing manager for Carlon.

The good news for retailers is that as consumers replace and upgrade their products, so margins increase. Suppliers are purposefully designing products for ease of installation to encourage more electrical projects.

PVC conduits and fittings are now replacing metal boxes and are safer and easier to install. Homeowners are shifting from 16-gauge to 14-gauge cords and longer lengths, to protect tools.

Receptacles and switch plates are now becoming premium decorator lines and Leviton has turned to advertising these in consumer magazines.

Safety new marketing aim

The marketing of the safety issue could give rise to more new product innovations in 1988. The department may see the application of immersible detector circuit interrupters (IDCI's), now available in many hair dryers, which turn off the circuit when moisture is detected.

Electricals

Est. retail market: $600 million
Retail sales growth: 10 - 45 percent
Avg. turns: between 4 and 5
Avg. gross margin: 37 percent

NHCN chart

Dealers are now looking for a whole family of products, and suppliers are responding by adding more diverse items so that dealers can cut back on the number of vendors that they buy from.

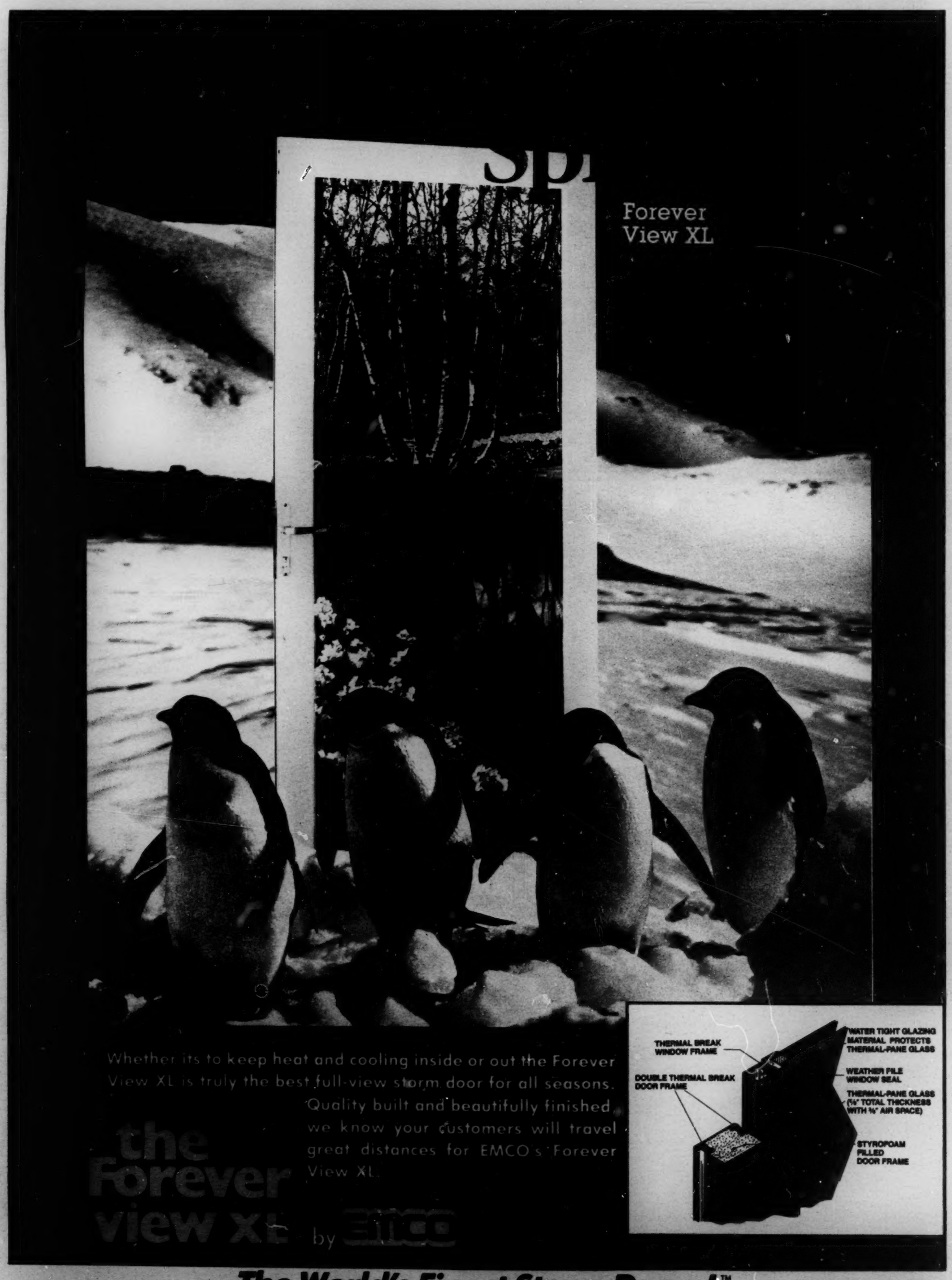
Honeywell, based in Minneapolis, introduced 19 new products this year, expanding from thermostats into home control timers and dimmers. Both Carlon and Woods Wire added home control systems to their mix.

"This whole product category is just the tip of the iceberg. New technology will take over the control of basic lighting, outdoor and security lighting," said Carlon's Richards.

Courting the contractor

As home centers actively court the small contractor and remodeler, their electrical departments are broadening to include higher-grade quality materials.

An official with Eagle Electric, the Long Island City, N.Y.-based contractor, in particular noted the trend towards quality switches, plugs, connectors and outlets to meet specification for hospitals.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Perspectives

annual census/hardlines

Growth in lighting department may take new direction in future

Chandeliers, outdoor and bath lighting were the biggest movers in the lighting category in 1987, but future growth and profitability may take other directions.

The decorative outdoor lighting category may have peaked, as bright brass is becoming oversold with many cheap imports flooding the market.

Low-voltage lighting—including walk lights, deck lights and garden lighting—will continue to be a strong seller as consumers pay increased attention to security lighting. But suppliers complain that all the profit has been taken out of it by so much competition.

Companies are still experimenting with solar-powered deck lights, which could be an important new product in 1988, particularly in the Sunbelt and California.

Bathroom lighting will continue to be strong for remodeling, as well as in new homes, where the number of bathrooms has increased. Although oak and brass are still selling well, chrome is also making a comeback.

Indoor lighting is very much a fashion category. So retailers are continually looking for new designs to promote growth and separate their merchandise from their competition.

Euro-style designs and finishes are becoming popular for chandeliers. New acrylic shapes and more contemporary use of glass is a radical departure from the traditional five-arm chandelier.

Most dealers now feature the $250 chandelier as their top-of-the-line model, and are steering away from the higher priced chandeliers which once slowed inventory turns. The sales volume, however, continues to be in the price range between $99 and $159.

Diamond F, the Cleveland lighting supplier, allots some of its advertising budget specifically to helping retailers rid themselves of old fixtures.

"Lighting is the most profitable area within the electricals category, yet ads often overlook this area," said Bill Sparker, senior vp at Diamond F.

"There has been a steady increase in the promotability of lighting. Retailers now recognize it as a viable source for promotions," said Lowell Mazie, vp-marketing and operations at Delval, the Langhorne, Pa.-based manufacturer.

Those retailers using advertising to sell lighting are no longer just promoting their opening price points but stepping up the quality of the product advertised.

The category turns between 3 and 4 times annually, but this can rise to as frequent as once a week on promotion, according to suppliers. Gross margins for promotions usually drop from the minimum 41 percent down to between 19 and 35 percent.

Some suppliers are now altering their packaging to better promote the category. Thomas Industries, for instance, introduced a twin pack for its polished brass coach lamp in March and will add another promotion package this fall, according to Don Walker, director of marketing for the company.

There is also much more detail on the packaging in general as the retailer wants the customer to be able to read fast and understand its installation and does not want the product returned.

Ceiling fans become more decorative

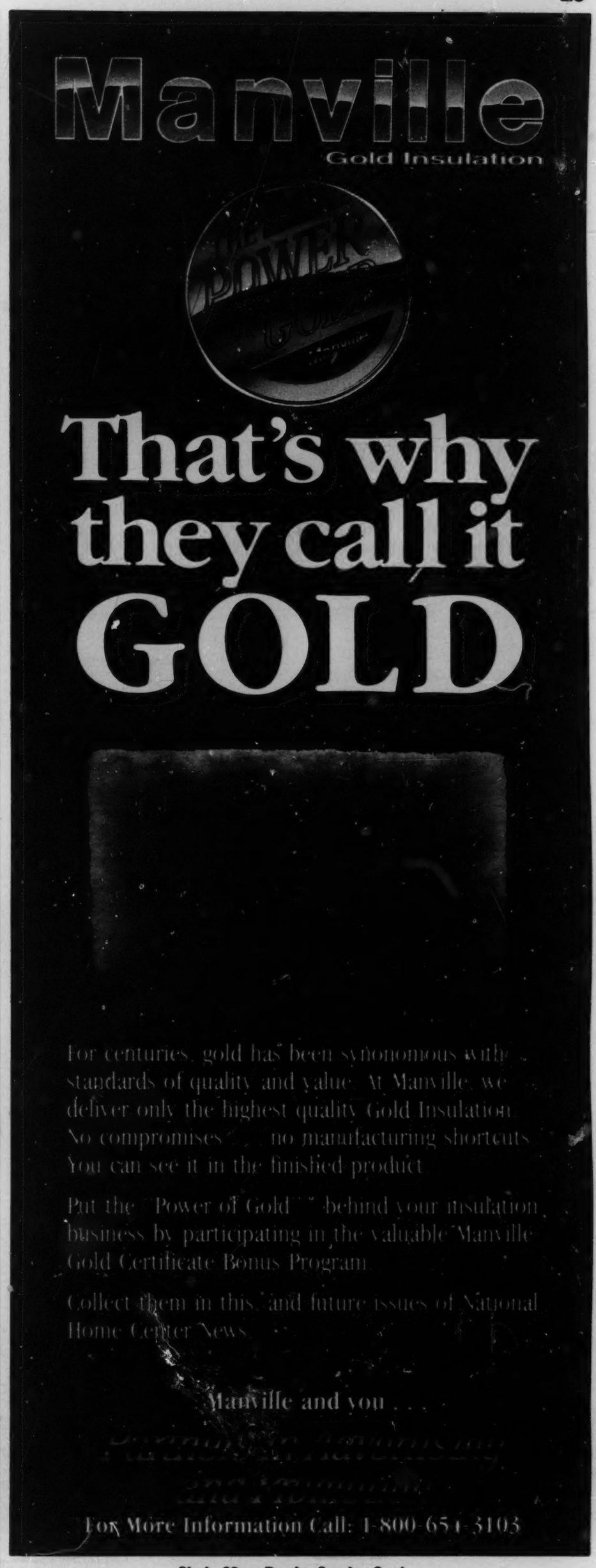
Ceiling fans are becoming more decorative and stylish, and moving to five or six blade styles.

Retailers still rely heavily on offshore suppliers, but the low end of the price spectrum is now disappearing as manufacturers do more to make fans look more decorative and distinctive. In so doing, the cost of fans may in future rise by between $20 and $30 per unit.

The South continues to account for most ceiling fan sales, but the market is extending nationally, and it's from these regions that suppliers look to for their anticipated 15 percent to 20 percent growth in 1988.

The South is "saturated" with consumers buying fans on a replacement basis rather than for new installation. Consumers now perceive the product as a "needed appliance," according to Steve Martin, spokesman for Hunter Fan, Memphis, Tenn.

Outside the South the emphasis is more on buying a fan as a decorative item, and there is now a greater interest in fans as lighting fixtures. However, once people learn to appreciate the savings in energy costs, then they tend to buy two or three others in short order.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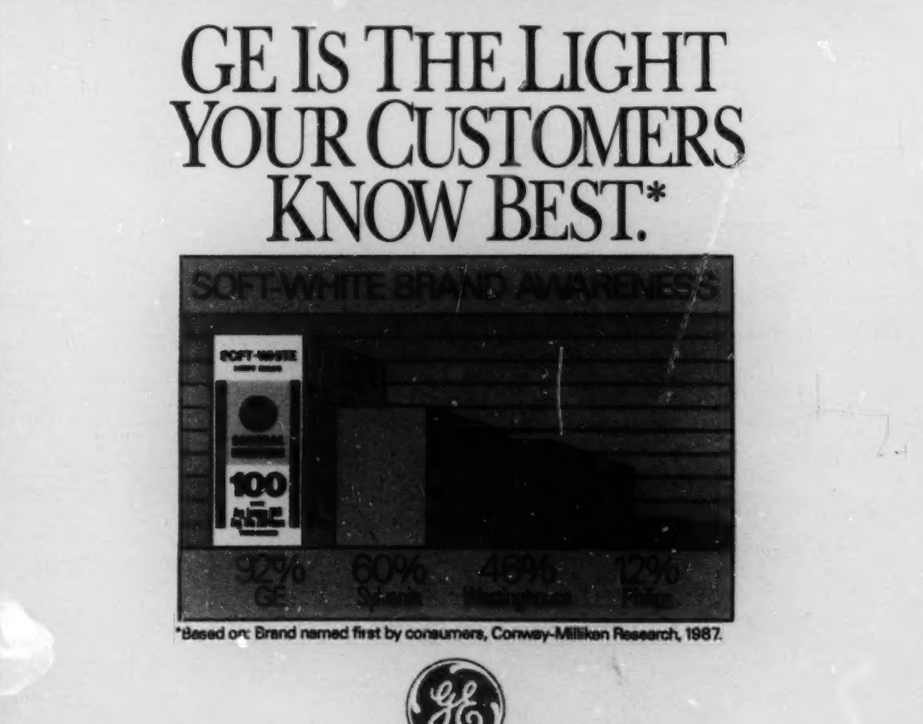

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Perspectives

Hand tool makers hope to boost flat sales with upscale image

Hand tool manufacturers say upscale is in.

Though the industry hasn't introduced many new products in the past year and sales are essentially flat, manufacturers say higher priced items are selling well.

"I don't know if it's just now that people are starting to realize that they can get better quality, but people are willing to spend more," says David Springstroh, product manager for Disston, the North Carolina-based saw producer.

"There's still a market for cheap tools, for people who only use them occasionally," he says, "but anybody who's going to use the tool frequently is looking for something that will last."

Johnson Level and Tool, for instance, recently introduced a gift set that includes the company's $50 brass-bound mahogany level and a level guard. The set, introduced at Christmastime, will be offered again at Father's Day, says Jeffrey Cowie, director of sales and marketing for the Mequon, Wis., supplier.

> "There's still a market for cheap tools, . . . but anybody who's going to use the tool frequently is looking for something that will last."
>
> —**David Springstroh,** *product manager, Disston*

Cowie adds: "It's just a question of whether the guy wants to get off on having a $50 level in his shop or an aluminum one that basically does the same thing. I don't know why the consumer's upgrading, but he is."

Richard Jacoff, chairman of Great Neck (N.Y.) Saw Manufacturing, says his company's business in better tools has increased. And, as with power tools, much more of what consumers are buying is made in the United States, because the weak dollar makes imports more expensive.

"There's been a dramatic shift in sourcing. The fluctuation in the currency has had a major impact," says an executive with Stanley Tools, New Britain, Conn., who asks not to be identified.

More products, he says, are coming from countries like Hong Kong, where the currency is tied to the dollar, and fewer are coming from Japan. Mexico is also gaining popularity as a manufacturing source.

But because the industry is flat, growth for individual companies is likely to come from gains in market share, rather than through increased sales industrywide, he says.

Manufacturers are also turning to accessories to liven up the market.

CooperTools has introduced a line of wood rehandling kits, with more than three dozen sizes and styles.

Changes are also likely to be made in packaging, says Great Neck's Jacoff, especially to enhance the upscale items.

One reason for the flatness of the market, he says, is that cordless power tools have cut into the hand tool market.

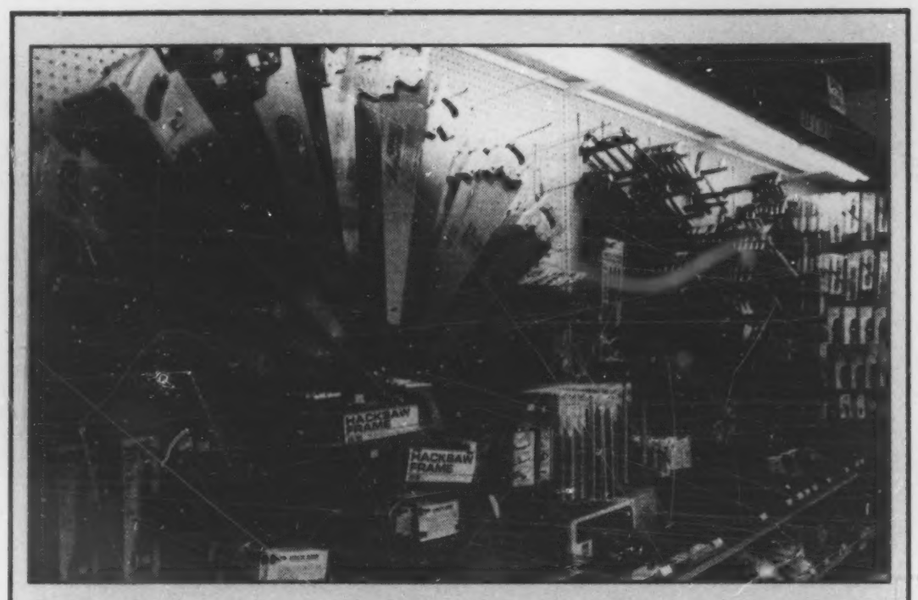
The Stanley executive agrees.

"The whole market is changing, largely because of prefab [prefabricated housing]," he says. "The whole thing is what does it the most efficiently."

Hand tools

Est. retail market: $1.5 billion
Retail sales growth: flat
Avg. turns: 4
Avg. gross margin: 33 percent

NHCN chart



Sales of hand tools have been essentially flat, with few new products introduced in the past year. Manufacturers are now realizing that they can boost sales by appealing to upscale buyers. NHCN photo

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Perspectives

annual census/hardlines

The fall of the dollar has made U.S.-manufactured power tools competitive again, although prices still might go up this year. Cordless tools, particularly drills, continue to be popular with consumers. NHCN photo

Falling dollar improves sales for U.S. power tool manufacturers

Power tool manufacturers are likely to be very patriotic this year. The falling dollar has made U.S.-produced tools more competitive with imports and has prompted foreign producers to start manufacturing operations here.

The bad news for retailers is that despite the competition, power tools will probably become more expensive in 1988.

Manufacturers say they have been absorbing price increases for several years to remain competitive with imports. Now, they say they will boost costs to improve their margins. On the flip side, foreign manufacturers say they must now raise prices because of the falling dollar.

"If the yen stays where it is, we'll be okay," says Patrick Griffin, assistant vp for Makita U.S.A., a subsidiary of the Japanese manufacturer. "If not, we'll have to have another price increase." It recently raised prices 5 percent. To combat the problem, Makita is "bringing as much manufacturing as fast as we can to the U.S.," Griffin says.

The company recently spent $10 million on a new plant in Atlanta. In Phoenix, Ryobi has opened a new plant.

In contrast, Dremel, which does all its manufacturing for its workshop tools in the U.S., is "having the best year we've ever had," says John Welsh, western sales manager.

He reports that sales are up 45 percent in the West, 35 percent in the Southeast, and 27 percent in the East.

At Black & Decker, Michael F. Golden, director of marketing for the U.S. Power Tools Group, says prices won't change that much this year. And to some extent, he discounts the dollar-yen war.

"If the pricing happens, that's great. But that's not what we want to compete on," he says. "The dollar will change again, and if you start chasing it, you're not going to win that battle."

Prices at Skil, the Chicago-based supplier, will probably increase a couple of percentage points, says Robert E. Brymer, director of consumer marketing.

Throughout the industry, he says, "I don't think there are too many [people] covering their costs."

But he says manufacturers have been hesitant to increase prices because "it's not a marketplace where you can have price increases without serious consequences."

Manufacturers say cordless will continue to be a vital category for them.

With the improvements in rechargeable nickel-cadmium batteries, cordless tools can be operated longer and take less time to recharge.

Manufacturers also say they will continue to make tools that are lighter and designed for easy handling.

B&D introduced eight cordless items in 1987. Plans call for a similar number of introductions this year. The cordless screwdriver remains among the most popular cordless tools. Also selling well are cordless drills.

And several manufacturers are developing new types of saw blades. Skil, for instance, is marketing The Ugly, a blade it claims can cut 50 percent faster than other blades on the market.

Manufacturers are also going for the serious DIYer with better quality tools.

"The serious DIYer has really helped us," says Skil's Brymer. "People are willing to pay more for something that will last."

Power tools

Est. retail market: $2 billion *(excludes accessories)*
Retail sales growth: 2.2 percent
Avg. turns: 5
Avg. gross margin: 28 percent

NHCN chart

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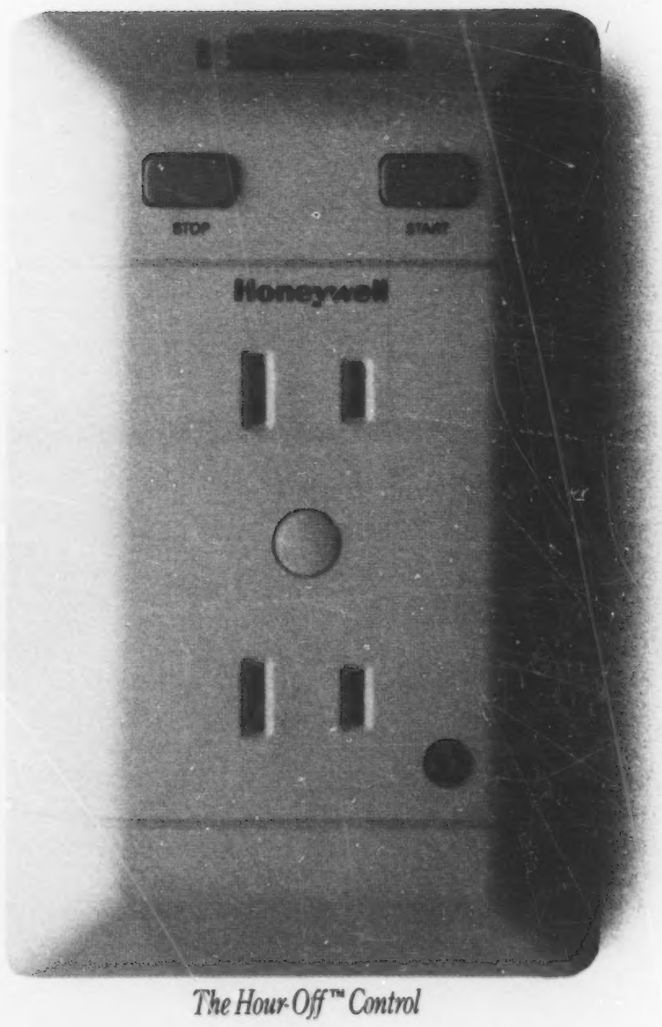

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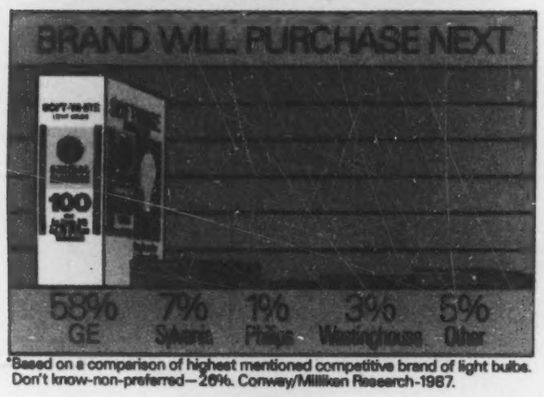

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

GE Lighting

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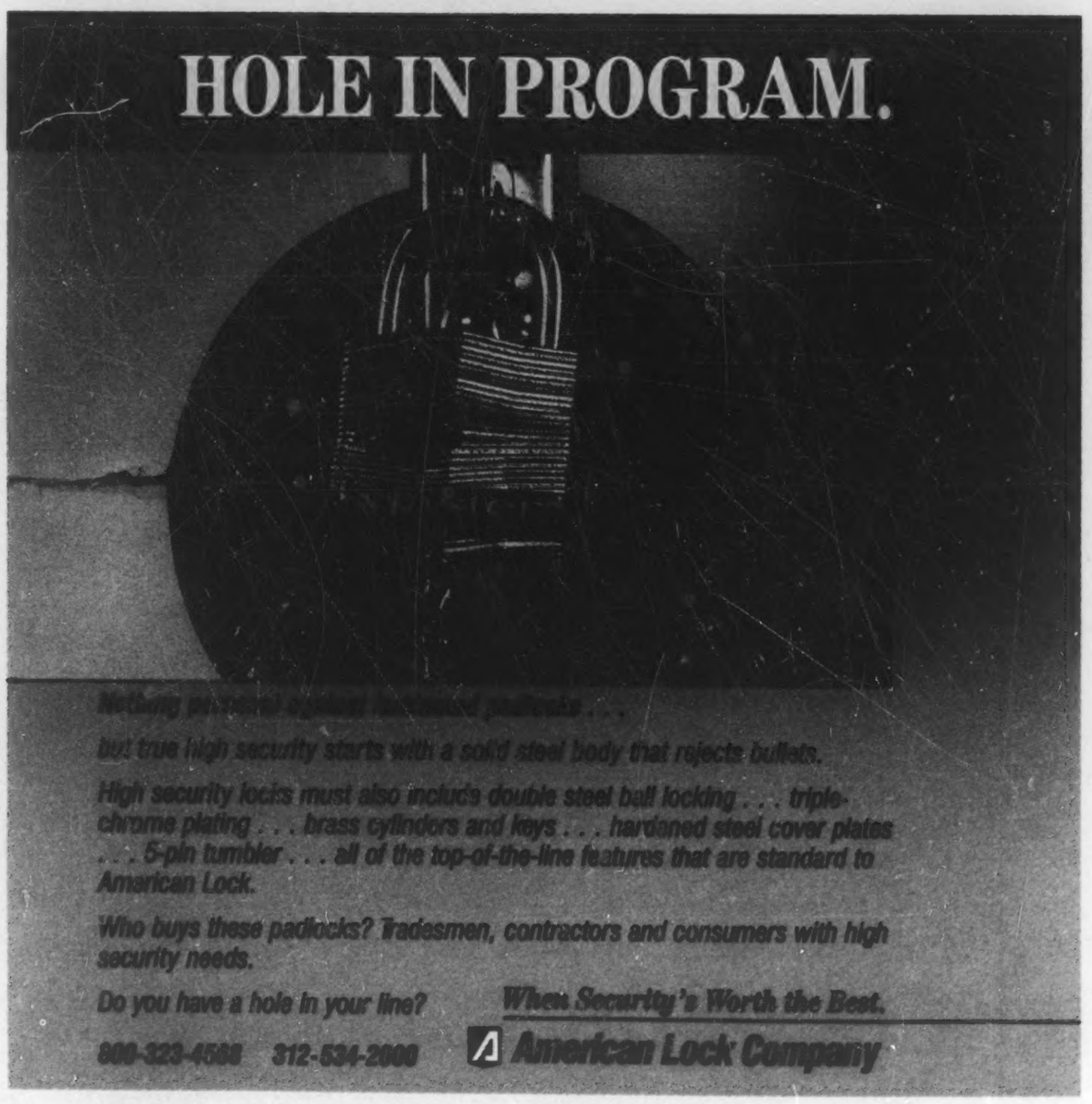
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Perspectives

annual census/hardlines

New products, features, lower prices help boost home security

The home security industry expects sales to grow vigorously for several years, aided by new products, new features for maturing products, better displays, lower prices and national advertising.

At Heath Zenith, the St. Joseph, Mich., manufacturer, management said they anticipate that the combined residential and commercial markets will grow from $5 billion in 1986 to $7 billion in 1995.

Bruce Peterson, Heath Zenith's marketing manager, said the industry sells 60 percent of all security products on the residential market.

Retailers sold approximately 9 million smoke detectors last year, worth about $75 million at retail, said Robert VanZeyl, director of marketing for Jameson, the Downers Grove, Ill.-based supplier.

Jerry Carrino, vp-sales for First Alert, headquartered in Aurora, Ill., said the industry sold about 8 million smoke detectors last year and 6 million fire extinguishers.

Advertising has helped boost sales, manufacturers said, by alerting customers to the relatively low cost of smoke detectors and burglar alarms.

First Alert is banking on advertising to convince Americans to buy fire extinguishers for their cars, boats and various spots around the house.

The industry has also used ads successfully to pitch the idea of more than one smoke detector in each home. Carrino noted that 30 percent of American houses now have three or more smoke detectors.

Customers have absorbed the message that wireless burglar alarms have arrived, as Black & Decker, Heath Zenith, Universal Security Instruments, Schlage, RCA and Genie are marketing products in a big way.

The average customer still needs to learn about passive infrared technology and other new features in home security devices, industry observers said.

Several manufacturers have used the technology to make lights that turn on when a person approaches, a security feature for exterior lighting and a convenience indoors.

Meanwhile, new features for maturing smoke alarms include a First Alert model designed so that the owner can check the battery by shining a flashlight on the detector. Jameson plans to ship a smoke detector that sounds off weekly to let the owner know the battery is still charged.

New products and features have become the focus of many manufacturers' displays.

A Jameson display uses a picture of a house with color-coded rooms. The colors match packaging for devices appropriate to the room.

VanZeyl gave the example of a lighted alarm for an exit or an alarm with a louder horn for the basement.

For two years, First Alert has offered a display that brings together smoke alarms and fire extinguishers in a line presentation that encourages stepping up.

Peterson said Heath Zenith has produced a video and printouts for kiosks in stores run by Builders Emporium, the Irvine, Calif.-based chain.

New products and displays have prompted optimism.

"Home security is still at the beginning level," said Peterson. "Things that were commercial are coming into consumer use."

Suppliers looking for new niches in security hardware department

Retailers can expect more variety in security hardware as suppliers scramble for niches in a market plagued by nearly flat sales.

Manufacturing sources estimated the category's retail residential sales at $500 million in 1987, not much different from the year before and about the same as projections for this year.

One manufacturer predicted interest rates would rise, depressing housing starts and thwarting growth.

Sales probably will not decline, though, because more people are buying houses that need renovation, including new security hardware, another manufacturer said.

That leaves retailers and manufacturers vying for a larger share of a slowly expanding market.

One result is that Schlage has diversified with a foray into wireless burglar alarms and locksets with number codes.

A number of suppliers have increased their imports from the Orient to reduce costs and pin down the low-end market.

Even the higher end U.S. manufacturers have moved much of their production to Mexico for cheaper labor and less stringent environmental regulations.

However, some industry observers believe the import trend is reversing as sales migrate to the higher end.

Some manufacturers, Weiser among them, will try to fill the higher-end with "designer" products at higher prices, said Bob Pacelli, Weiser's director of marketing.

Next year, Weiser locks could cost 30 percent to 40 percent more than many competitors, up from 10 to 15 percent.

Greg Markes, a product manager for San Francisco-based Schlage Lock, also emphasized the increasing importance of decorator security hardware and the resulting potential for higher sales.

Manufacturers are also trying to differentiate their products in what was once a commodity business.

Schlage, Weiser and Kwikset, the Anaheim, Calif.-based manufacturer, have all introduced new self-sell packaging in the past year, according to industry sources.

Master Lock and Dexter Lock, both based in Milwaukee, have joined Schlage and Kwikset in placing more emphasis this year on mounts integrated into the tops or sides of merchandisers.

Weslock is concentrating on "Interlocking Forces," a series of store demonstrations featuring factory people and local police.

"We aren't just selling Weslock, we're selling security," said a company spokesman, who also noted increased store traffic during the programs.

Chains participating in the program have included Payless Cashways, Sears and Courtesy Home Centers, a Mount Prospect, Ill.-based chain of six stores.

At Weiser, national advertising has played a major role in the last year, Pacelli said.

"That's been a drastic change for us," he said. "We're going after the consumer."

Perspectives

annual census/hardlines

Manufacturers make plumbing parts easier for DIY use

The trend continues into 1988 to make plumbing parts easier and more readily understood to the consumer. Vendors report a resurgence in two-step distribution, partly to hike turns and lower inventory and partly to accommodate regional needs.

In addition vendors report over the last 18 months retailers are demanding and, in turn using, better merchandising displays. Signage, vendors report, is becoming an integral part of the product mix.

In the last year vendors appear to have reached their goals of making plumbing a DIY category and home centers the source of those sales. Getting consumers away from plumbers appears to be one marketing tool.

"The dollars are shifting from the plumber to DIY," explains Dan Stuart of Chicago Speciality. "People would like to use the plumber, they have the money, but they don't want to sit and wait," explained Stuart, vp of sales and marketing.

Tim Smith of Brass Craft-Plumb Shop's echoed: "There are more DIY instructions today, parts require fewer tools, all to get away from (calling) the plumber." Smith is Northern regional sales manager of Brass Craft-Plumb Shop.

Plumbing Parts

Est. retail market: $3.2 billion

Retail sales growth: 8 percent

Avg. turns: 4.6

Avg.gross margin: 38 percent

NHCN chart

While still dominated by two large companies, the plumbing parts category contracted last year with the exit of at least two manufacturers and one firm that dropped out of the carded business.

Waxman Industries, the manufacturer and repacker in Bedford Heights, Ohio, boosted its offerings last year with the acquisition of Montreal-based H. Belanger. Belanger, a strong private labeler of faucets and plumbing parts in Canada, brings the new parent company a number of new stockkeeping units moving into the higher end. While the acquisition took place in the waning days of 1986, the first full year with Keystone Franklin on Waxman's books (1986 sales $22 million) brought Waxman a number of private label plumbing programs in home centers.

Shortages in both pvc plastic and metal raised the prices of replacement parts last year. Once-cheaper imports are now on par with domestic parts and the "Buy U.S." mentality is now a reality.

Interest rates were lower for much of last year, which normally would have allowed retailers to build inventory. But vendors report the tendency to source from distribution increased in 1988. Half of the large home center retailers are still buying direct. The other half buying direct, "now want to get back into distribution," observes Gary Harris, national sales manager of Fluidmaster. Harris believes—with the re-emerging strength of buying groups like Sentry Hardware—retailers are re-evaluating the cost of using their own warehouses.

"Compared to five or seven years ago when everyone was going direct, they're leaning back toward two-step because of regional needs and differences in stock,"said Stuart of Chicago Specialty.

High-end bath fixture demand grows

The "steel can" look of bath fixtures is dead.

"The high-end, clean, decorative look" is in demand and is the trend of the future, explains Steve Maryarski, Midwest regional manager of fixture maker Miami-Carey.

The industry trend in fixtures follows builder demand to make the bathroom a "suite."

Bob Jewell, director of consumer products marketing at the Kohler Company, agrees saying total bath remodeling projects—not just fixture replacements—are growing.

There's been an improvement in the mix offered to retailers too, with home centers broadening their upper-end offerings.

"We see a change in the color or mix—the white to color ratio—and in a lot of outlets the low end is going by-the-by," quipped Robert Samsing, director of consumer marketing for American-Standard. Not just colors, but the higher-end, one-piece toilets and pedestal lavs are becoming part of the broader line.

But more important than looks, distribution of the often heavy and fragile plumbing fixtures is shifting. Jewell said home centers are shifting away from direct shipments in favor of distribution. "The home center doesn't have to carry inventory and the wholesaler can back him up." Distribution, said Jewell at Kohler, can boost the typical three to four turns to as high as 10 turns per year.

At least two of the five large fixture makers, Universal Rundle and Miami-Carey, are eliminating factory-direct shipments in favor of company-owned distribution centers.

And, at least one manufacturer who asked not to be identified, said more home centers are asking fixture companies to stop sending reps.

Samsing at American Standard believes with the hike in consumer's willingness to pay more for higher-end fixtures, home centers will have to increase training of floor personnel, "taking a consumer from a $35 item to a $200 item" like the one-piece toilet.

Margins will have to improve from the current 10 percent to 20 percent at the low end and as high as 50 percent at the high end, said Samsing. As consumers buy more of the higher end, and home centers take on additional inventory and thus capital costs, margins must be adjusted.

Fashion trend sparks broader faucet lines

Where they used to be a fixture "till they broke," faucets are now an accessory consumers switch with fashion whims. This makes for broader lines from vendors and a dizzying option of choices for both retailer and consumer.

"The faucet business has become has become part of the fashion business," said Doug Martinez, director marketing at Price Pfister. "People are attracted to color, style and design in all areas of the housing business."

Paul Koenig, vp of marketing services at Peerless Faucet echoed, "Style is the fastest growing sector. It hasn't flattened out yet."

Vendors contacted repeated that the renovation market has blossomed and fashion in faucets remains in demand as consumers associate style with quality.

Overall, the outlook for faucet sales in 1988 is divided. Executives from category leaders report widely differing expectations this year. Estimates ranged from one to three percent growth up to an estimated 15 percent to 20 percent growth in unit sales.

Prices, which moved up less than two percent this year, are bound to rise. Manufacturers report having to pass on raw material cost increases which exceeded 10 percent last year.

Steve Picker, director of sales for Texas-based U.S. Brass, spotted a recent countertrend in distribution last year. For a number of reasons, retailers are cutting sources of supply, Picker says, looking for a single source.

Two-step distribution to retailers is growing, especially with the growth of private label programs among the co-ops hardlines distributors. "The little guy, buying $50,000 to $100,000 in faucets a year can't do it (buy) direct or he's going to pay a premium," said one vendor. Yet Sterling Faucet is approaching the small dealer on a new, single-unit, drop-ship program on more costly products.

Retailers will continue to have hard choices as vendors broaden the "middle range." The once unstylish $50 to $70 middle market has changed; it is now broader and as stylish as the Euro-look high end of just two years ago.

U.S. Brass, which doubled the stockkeeping units in its line, finds greater need for distribution. "Retailers can't show an entire line" yet they depend on distributors for the entire assortment and quick delivery, says Picker.

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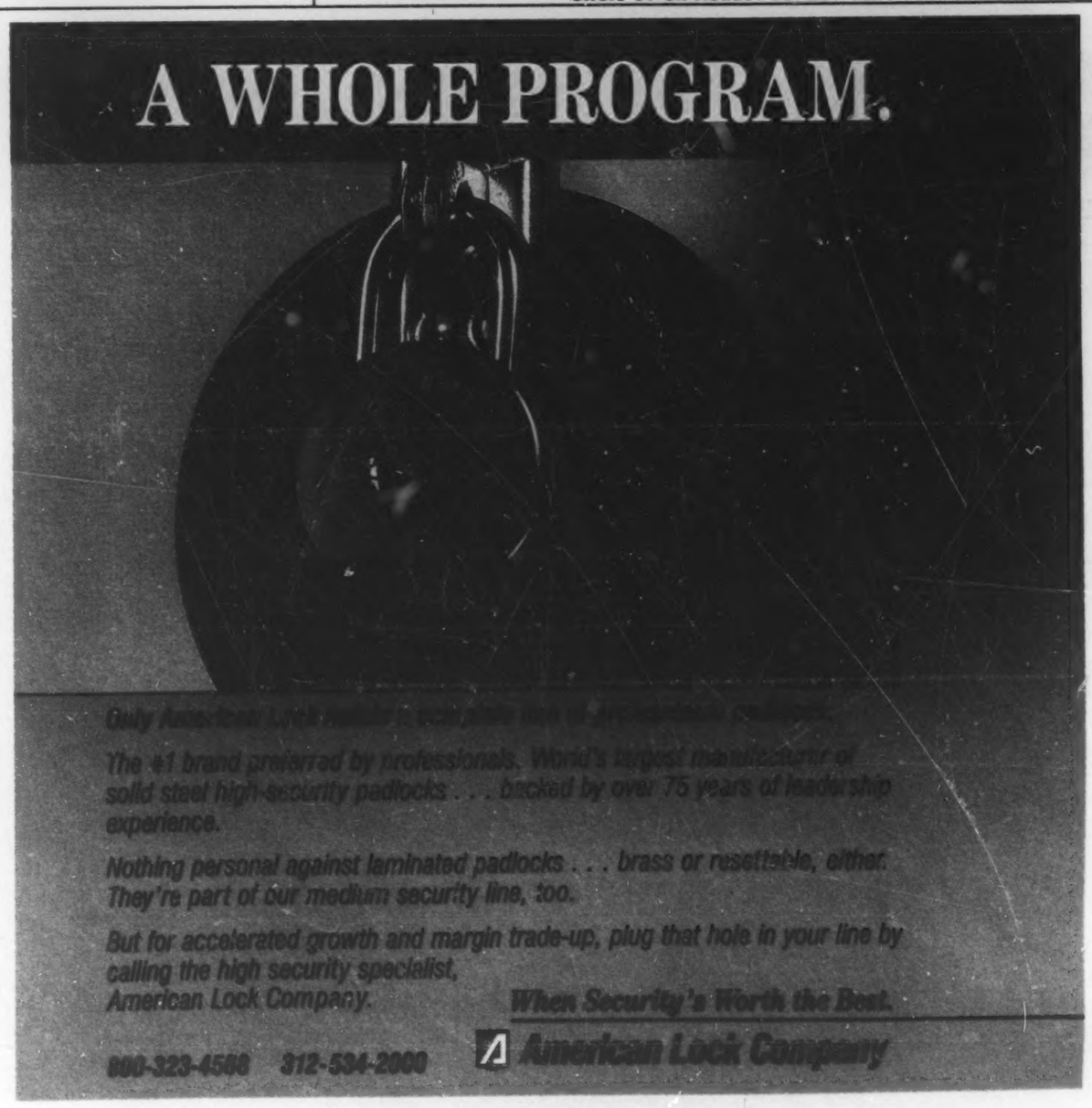
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Perspectives

annual census/hardlines

Euro-style frameless cabinets have contributed to modest but acceptable growth in the category over the past year, accounting for about 10 percent of cabinet sales in the U.S. NHCN photo

Euro-style contributes to bright outlook for U.S. cabinet makers

Cabinet and vanity sales have recovered from a slow January and slower February, prompting industry experts to predict that this year will match the success of 1987.

"In March, all hell broke loose," said Alan M. Kurzman, vp of marketing for Dallas-based Triangle Pacific.

That could mean retail sales well in excess of $2.2 billion—a good year, but not a boom year—based on figures from industry sources.

A contributing factor to the relatively bright outlook is the continued gains for Euro-style frameless cabinets. A new design could encourage earlier replacement purchases, industry observers said.

Frameless cabinets now account for about 10 percent of U.S. sales and could climb to 25 percent within five years, said Larry Wilson, advertising manager for Merillat, the Michigan cabinet maker.

Merillat plans to enter the fray by introducing frameless models later this year.

Kurzman, whose company already sells frameless cabinets, remains a little more skeptical about how quickly the frameless phenomenon has spread.

He estimated a 10 percent market share for frameless combined with Euro-look cabinets that appear frameless because of concealed hinges and full flush doors.

Increasingly, customers understand distinctions of the sort Kurzman described.

Focus groups have taught Merillat executives that customers are carefully choosing merchandise.

"They spend a year or more researching their kitchen before they buy," said Wilson. "They're really very knowledgeable."

Those customers may soon begin learning about a new sort of product: injection molded bathroom cabinets from Allibert, a Stanley, N.C., manufacturer.

The company, a subsidiary of a French concern, makes a line of cabinets with molded edges and another line made completely of molded resin, said Bob Senn, director of Allibert's bath division.

Distribution will begin in specialty stores, and if the idea catches on there, the technology eventually could move to the mass market, Senn said.

He predicted the product could filter down to the mass market within three to five years.

At the same time, Senn admitted that high inventory requirements for molded cabinets do not follow the trend toward cutting cabinet inventory in home centers.

The company already is selling injection molded medicine cabinets to home centers. The 14-model line retails from $100 to $400, Senn said.

At Merillat, exchanges with executives at companies that make complimentary kitchen products are spawning product development.

Wilson noted that Merillat decision makers now meet with the people from the many companies now under the Masco corporate umbrella.

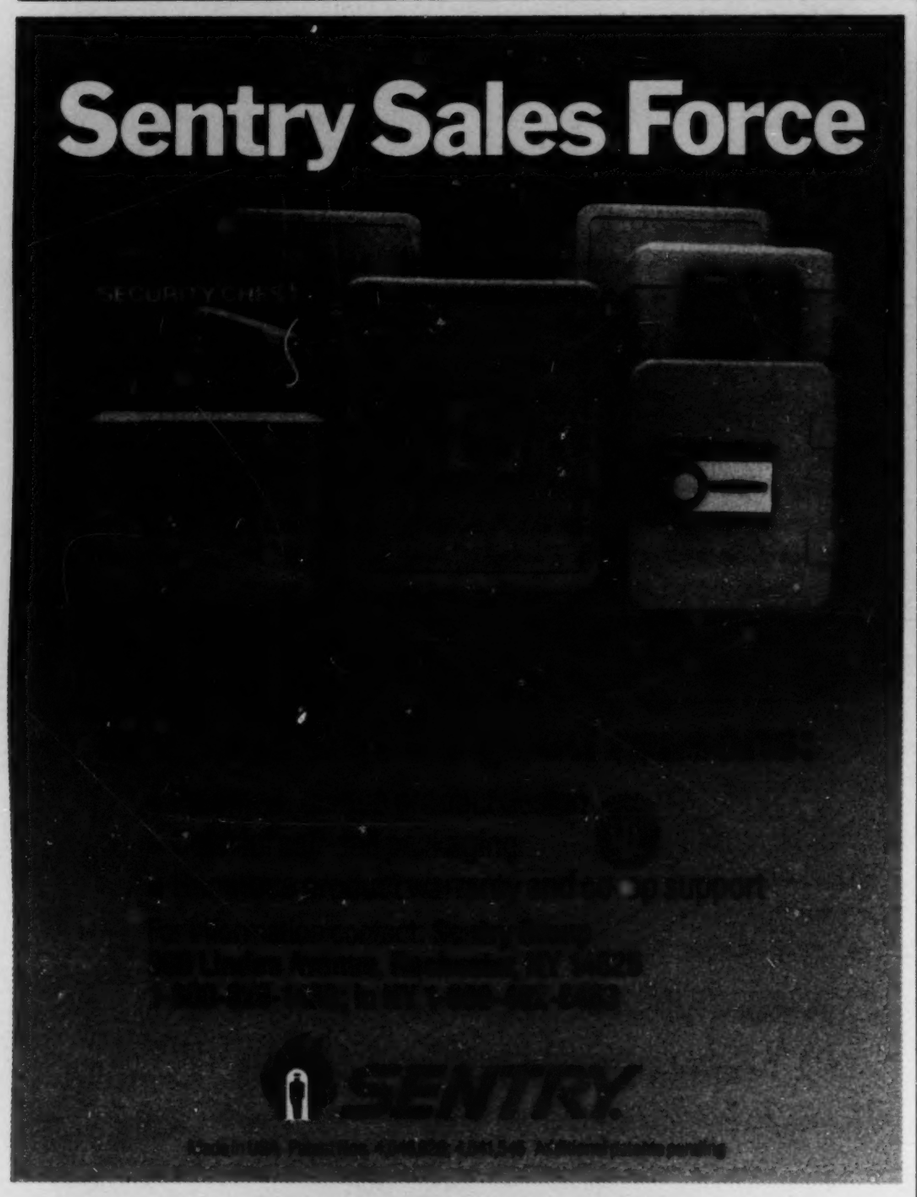
"It's easy for me to pick up a phone and talk," Wilson said.

New products aside, retailers still advertise cabinets at below list price to draw customers into the stores.

Retailers can afford to cut cabinet prices by 50 percent, or even 70 percent, by selling a complete project with fixtures, floor coverings, wall coverings and more for the kitchen or bath.

Manufacturers disavow responsibility for price-cutting, however, and place the blame with retailers.

Despite discounting, prices remain high for most customers, but not so high as to push many home centers into financing projects.



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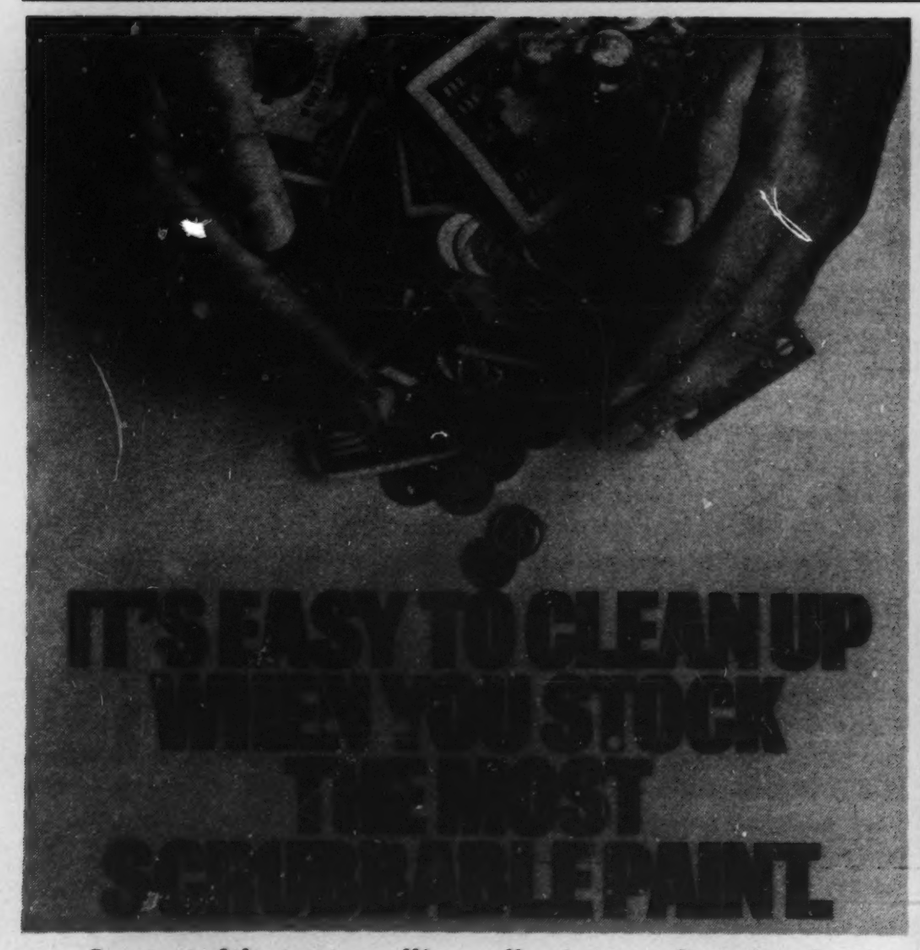

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Perspectives

annual census/hardlines

Function and style key to growth of air control market

Functionality fused with style may help to expand the heating and air control market which, many manufacturers agree, has had lackluster market expansion over the past few years.

But by adding some decorative touches to such standard heating and air control devices as timers, baseboard heaters, thermostat plates, portable space heaters and even fireplace accessories, sales might reach new heights in the coming years, manufacturers hope.

As a result, many manufacturers say retail buyers should not be too surprised if in the near future thermostats are adorned with colorful art-deco designing, or if portable space heaters come in a variety of colors (versus the standard dark wood overlays) and if fireplace glass doors become more decorative with etchings and beveling.

Comments from Jim Stokes of Hart Fireplace Fixtures, New Albany, Ind., typified those of many suppliers to the market when he noted a sharp contraction in the market since the late 1970s. Hart, which is widely credited for being the first to make and distribute glass fireplace doors, is one of four major suppliers in the fireplace accessory market.

Stokes, whose company makes other accessories for fireplaces including mesh screens, tending utensils and log racks, said his industry peaked in 1978 with annual sales in excess of $300 million. But he estimated that the sale of fireplace accessories in 1988 will top out at around $200 million, with retailers enjoying a hefty 40 percent margin on roughly three turns a year. He said the industry bottomed out in 1983, but the past three years has seen annual sales gains.

Although the market is quite competitive, Stokes said fireplace accessory manufacturers have begun to cater to an upscale buyer who is more willing to pay a premium for glass fireplace doors at the higher end of the spectrum. He noted that when a room has a fireplace, it is usually the second item, next to windows, that a woman concentrates on adorning.

Thermostat plates or covers, which have been produced to blend in with wall colors, are beginning to move beyond colors and enter the realm of shape.

Image becoming important

One marketing executive for a major manufacturer said his company is starting to make thermostats that feature a sleek, European design, highlighted primarily by curved edges and untraditional shaping.

The thrust to lend good looks to a utilitarian heating product is equally true for portable space heaters, which, in the past few years, have taken on a high-tech, glittzy look. Grandmother would have a hard time recognizing the space heaters and baseboard models being manufactured by such companies as Arvin Industries or distributed by DeLonghi America.

Although manufacturers have included buzzers or whistles to warn the user when the units overheat or are tipped over, they are not skimping on looks either.

The competitive and, some say, oversupplied portable heater business became even hotter two years ago when manufacturers introduced ceramic space heaters, the compact, high-tech units that may be among the most powerful heaters on the market and among the most costly, at $150 retail.

Grandmother would have a hard time recognizing the space heaters and baseboard models being manufactured today.

With the introduction of ceramic heaters, the shoppers now have the option of buying some six different kinds of space heaters. These include electric baseboard heaters, electric forced air heaters, electric nonfan heaters, electric oil heaters, electric quartz heaters and now ceramic models.

Neither manufacturers nor industry associations could gauge the retail sales size of their products, but based on industry shipments, orders have been increasing by 5 to 7 percent annually since 1985. According to *Appliance* magazine, more than 4.5 million portable space heaters of all kinds were shipped in 1987. Margins on the products, depending on the season, can range from a November-to-February high of 35 percent to a spring low of 18 percent.

Another product group worth watching in the category is air conditioning, especially with suppliers like Hunter Fan and Champion Cooler distributing full lines of imported air conditioners, and with more dealers looking to tap into this seasonal product.

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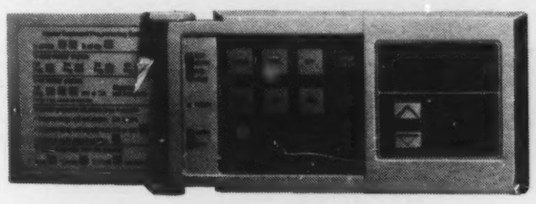

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Perspectives

Gas grills showed strong growth in 1987, beating out charcoal grills. They should still sell well in 1988. NHCN photo

Diversity of products helps L&G departments post strong gains

The variety of products ranging from live plants to garden tools to chemicals and fertilizers to birdfeeders that comprise the average lawn and garden department created enough consumer interest in 1987 to result in a 23 percent sales increase over 1986.

The National Gardening Association (NGA), Burlington, Vt., further reported that 70 million American households are involved in one or more gardening activity.

But the grass may not be greener in 1988, according to Bruce Butterfield, research director for the NGA. A more conservative 10 to 12 percent increase is expected for 1988 due to the softening California market.

Nancy Flinn, NGA public relations director, sees lawn and garden as a category that will continue to grow due to a market shift.

"In 1987, over half of the $17.491 billion that was spent on lawn and garden [including outdoor power equipment] products was spent by baby boomers. They have their own homes and they have dollars to spend. Usually they are two-income families, and they want to make a statement with their homes and yards."

The baby boomers are also partly responsible for allowing a new category of pesticides to emerge. A variety of products touted as nonresidual, that are water soluble and therefore safer for the environment, has gained visibility in home centers.

Consumer demand prompted many retailers to stock biodegradable herbicides, pesticides and fertilizers.

While there are a number of companies that manufacture only the biodegradable alternatives, Ortho, the leading producer of lawn and garden chemicals, is looking into a nonpetroleum-based product.

Lowe's, the North Wilkesboro, N.C., chain, summed it up best. "We recognize the changing requirements of the environment and we see the natural products as a very good way to go," said Robert Swanson, senior-vp merchandising.

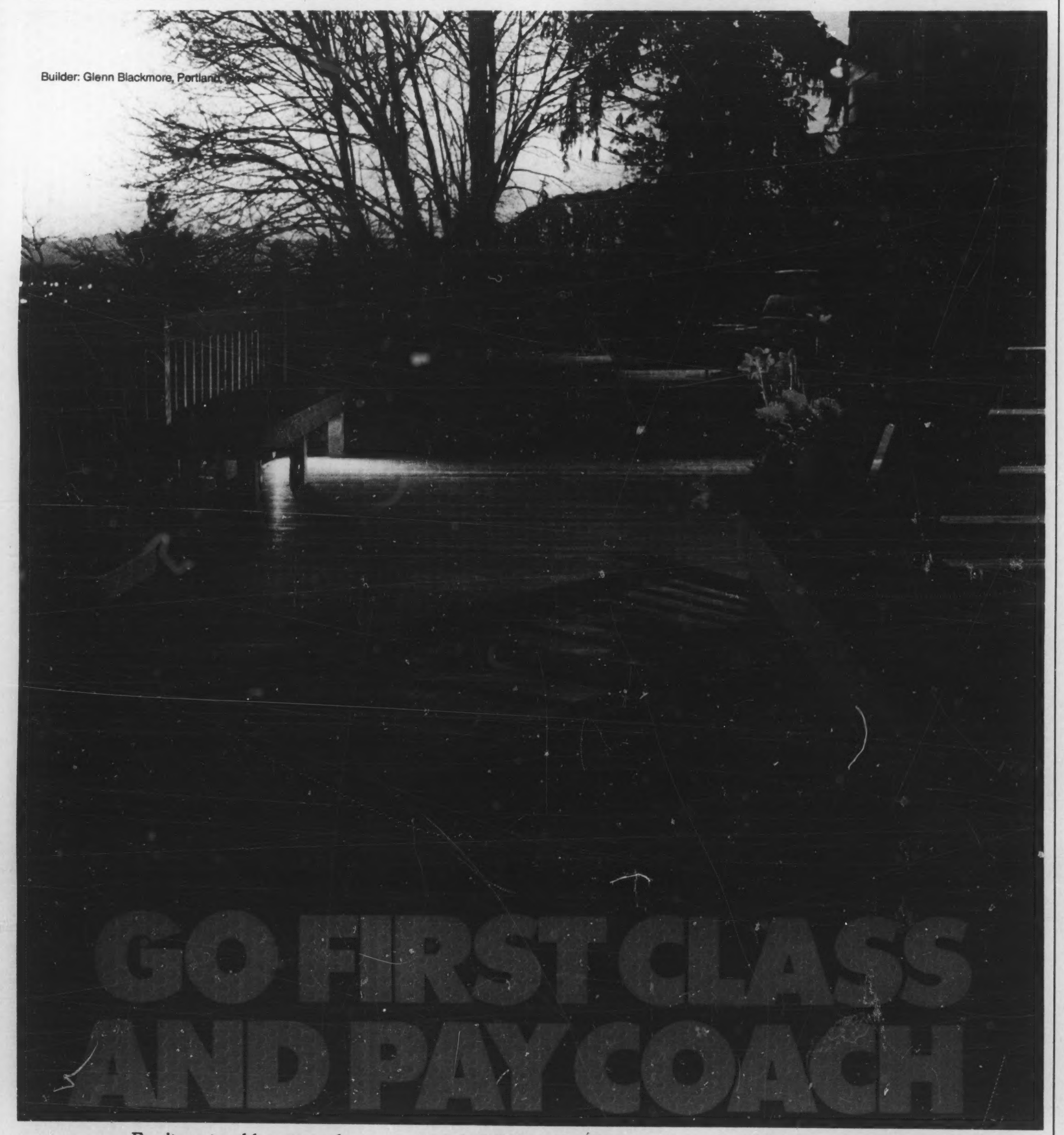
Another development in the fertilizer category is the emergence of liquid products that are premixed and have applicators that attach directly to the garden hose.

These "user-friendly" fertilizers were first seen at last year's Hardware Show in Chicago, and are packaged in single-application units. Rather than taking market share away from standard fertilizers, these products, according to retailers, are broadening the market.

One lawn and garden buyer explained that the consumer who buys the easy-to-use liquid product is generally buying fertilizer for the first time as an alternative to either not fertilizing at all, or having his lawn serviced professionally.

Gas grills were another category that sparked sales last year and should continue to grow in 1988. Arthur Seeds, president of the Barbeque Industry Association, attributed the healthy grill sales to an increase in disposable spending coupled with the growing number of 25- to-44-year-olds, the demographic group most likely to purchase grills.

One retailer noted that his store was selling 50 times more gas grills than charcoal. This trend was evident in other stores as well, where consumers were trading up to more durable gas grills, at higher price points.



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Perspectives *annual census/hardlines*

Outdoor equipment sales boom as consumers do own yard work

Americans are spending more time in their yards and close to three out of every five homeowners—about 53 million—do their own lawn care.

The 1987-1988 National Gardening Survey, assembled by the National Gardening Association in Burlington, Vt., also states that one-third of these homeowners do shrub care, and about one-quarter—or 21 million households—do landscaping, up by one million.

What's more, retail sales were up in most of the categories surveyed in 1987, with the highest increases coming from those that include outdoor power equipment: lawn care rose 26 percent to $5.45 billion and landscaping was up 34 percent to $2.9 billion.

For outdoor-power-equipment manufacturers, this means adapting products to attract today's consumer. One trend in lawn and garden care is that it is no longer a man's job. Women are buying homes and therefore buying lawn mowers. Also, as the population ages, homeowners over 50 are less likely to give up the chore and will seek out tools that let them continue to do the job.

Manufacturers are addressing these new needs by emphasizing more efficient, lighter equipment with easier to start gas-powered engines as well as new lines of electric models.

One manufacturer has improved its use of plastics and metal alloys in order to reduce the weight of its machines without compromising durability. It has also refined its engine, which is guaranteed to start by the second pull.

Lawn mowers and snowthrowers have been strong growth items in the outdoor power equipment category, although sales of snowthrowers appear to be near the market-saturation point. NHCN photos

New in the electric category are engines that have increased power that reaches efficiency near to that of gas-powered engines. The electric lawn mowers are maintenence free, long lasting, and generally less expensive.

Imported overhead valve engines continue to proliferate, but one shift is that U.S. manufacturers, such as Briggs and Stratton and Tecumseh, are now producing comparable products domestically. It is this type of engine that promotes the easy-start capability.

For non-sunbelt retailers, snowthrowers have remained a viable seasonal product. According to the Outdoor Power Equipment Institute (OPEI), shipments for the year ended in March were a mere 1 percent lower than the previous year, which was attributed to business stabilizing.

However, the saturation level in the category has nearly been reached, according to a marketing director at Toro, the Minnesota-based supplier. He added that snowthrowers are being built better and therefore lasting longer. "Consumers are not trading up as often."

One incentive manufacturers are offering to retailers is carryover risk protection. Since the only business guaranteed is preseason sales, many manufacturers have agreed to take the interest burden off retailers on a given number of machines not sold by season's end. This has been successful in reducing the dealer's resistance to buy.

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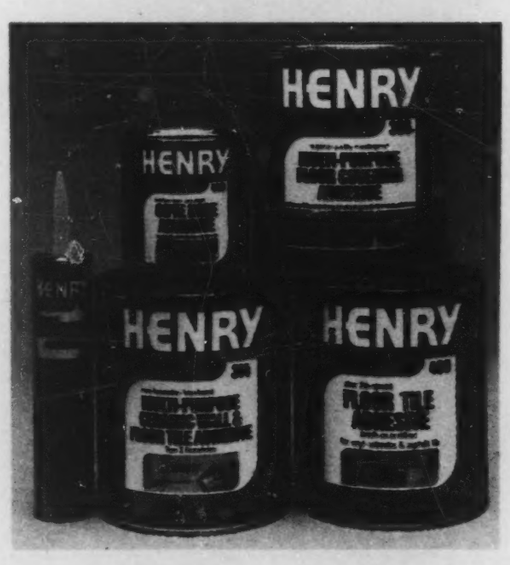

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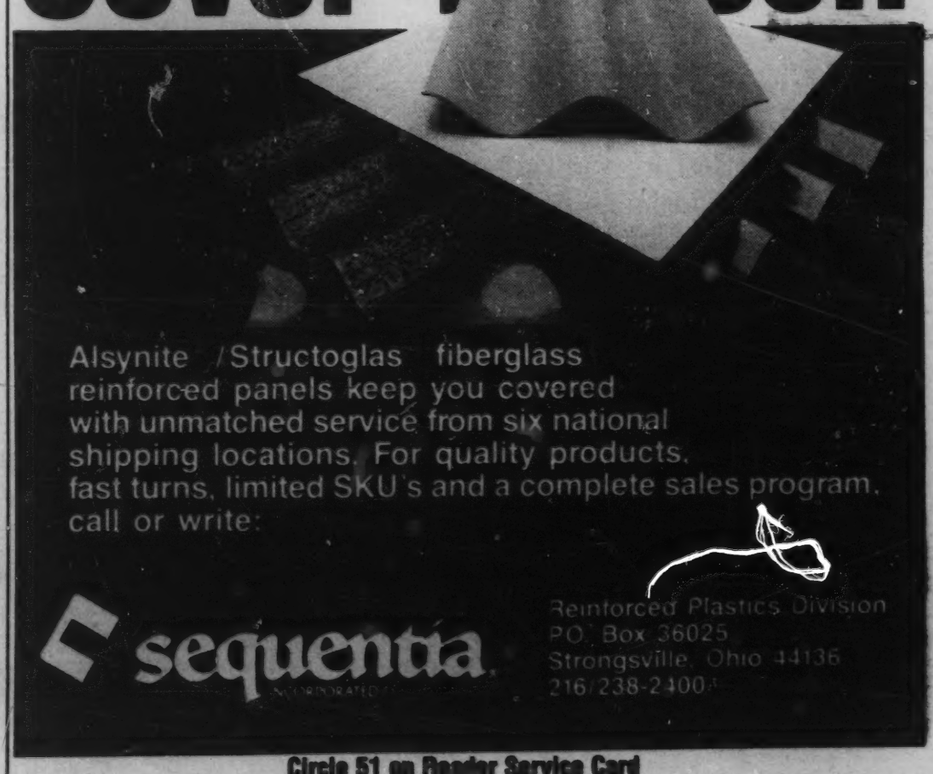

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Perspectives *annual census/hardlines*

Takeover activity runs rampant in West as profitability drives '87

By an NHCN staff editor

LOS ANGELES — Profitability was the password for many West Coast-based home centers in 1987.

Companies ranging from National Lumber in California to City Mill in Hawaii all improved their earnings last year, and the general trend in this region—possibly the most highly competitive in the country—was making money.

The market was also a hotbed of takeover activity. Standard Brands, struggling to be profitable, found itself to be a takeover target. Stanline, the building materials distributor, was taken over by the voracious Bunzl USA. Commodore Vanities was bought by PermaBilt. Boise Cascade sold off its remaining 19 building materials stores to their management, which is now seeking other acquisition opportunities. Dixieline in San Diego nearly doubled its store size to nine units by picking up some stores from the defunct Handyman operation. And Sequoia Supply, another commodities distributor with 33 warehouses, was sold by Wickes Cos. to Sequoia's management.

And perhaps the most noteworthy—or notorious—takeover battle went on in Seattle, where Pay 'N Pak's management was able to thwart the attempt by Florida investor Paul Bilzerian to seize the 100-unit chain. Pay 'N Pak's managers last month finalized their own leveraged buyout of the company.

As the West Coast market danced this takeover two-step, most companies remained undistracted from the singular goal of turning a profit. And, in most cases, they succeeded.

> "The highlight of last year was making more money with the market being 50 percent off."
>
> —**Jim Beardall,** *president, Anderson Lumber*

"The highlight of last year was making more money with the market being 50 percent off," said Jim Beardall, president of Anderson Lumber, the 22-unit chain based in Ogden, Utah.

Among the region's largest chains, Pay 'N Pak, National Lumber, HomeClub, Copeland Lumber, Ernst Home & Nursery and The Home Depot all saw higher earnings. "We reversed some of the trends we were stuck in," noted V.J. Carnval, the chief financial officer for 20-unit National, based in Fountain Valley, Calif., which incurred some losses in 1986. "The six or seven new stores the rest of the chain was carrying in 1985 are now making money."

Considering how much big-chain competition there is in the West, the big surprise was the extent that independents were profitable in 1987. For example City Mill, the five-unit chain based in Honolulu, had a 30 percent increase in profits, according to its president David Ai.

"It was our best year, profitwise," added Peter Ganahl, president of the three-store Ganahl Lumber in Anaheim, Calif. And Len Rosenfield, director of advertising for the single-unit All American Home Center in Downey, Calif., was also pleased. "We didn't reach all our goals, but 1987 was a very strong, very profitable year."

Not everybody shared the wealth, however. O'Malley Lumber in Phoenix continued to grapple with competition from Payless Cashways and Home Depot. It closed three stores last year, and its upper management at times resembled a revolving door.

Phoenix was also a tough market for Ray Lumber, the independent that closed two of its stores, and currently has its third on the block.

On the specialty front, the $305 million, 134-unit Standard Brands continued to see its gross margins dip, and suffered a 64 percent decline in earnings to $5.4 million. On top of this, the company is being pursued by Entregrowth International.

Not everyone was obsessed with takeovers and unit growth, though. Ernst, based in Seattle, kicked off what will be a complete remodeling program for all 70 of its stores. Neiman Reed Lumber City, the 10-unit chain in Van Nuys, Calif., upgraded merchandise in virtually all product categories.

However, given the competitiveness of the Western market, one can anticipate more takeover and growth activity, as typified by a statement made last month by Steve Pearson, a partner in BMC West which acquired the Boise Cascade units. "We're looking to grow by acquisition in 1988."

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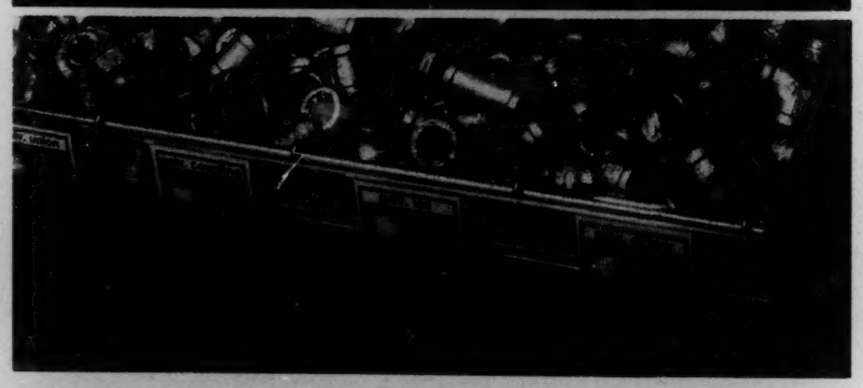

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Perspectives

annual census/hardlines

Retailers in Oil Patch viewed 1987 as transition year

By an NHCN staff editor

SAN ANTONIO, Texas — Housing starts, home resales activity and retail sales in the Oil Patch remained uninspiring in 1987. But home improvement dealers operating in Texas, at least, report that they are not too worried about those numbers anymore.

That's because these lumber and building material retailers became infected with the giddy belief that 1987 was a transition year from bad times to good.

And indeed, this state saw a tremendous amount of activity to support this. Home Depot's stores in Houston turned a profit for the first time in 1987; Westlake Hardware is using the Lone Star Hardware subsidiary it started last year in San Antonio as a launching pad for its expansion; Channel remodeled nearly all its Texas—and, for that matter, Southeastern—Handy Dan units and opened a new distribution center in Houston.

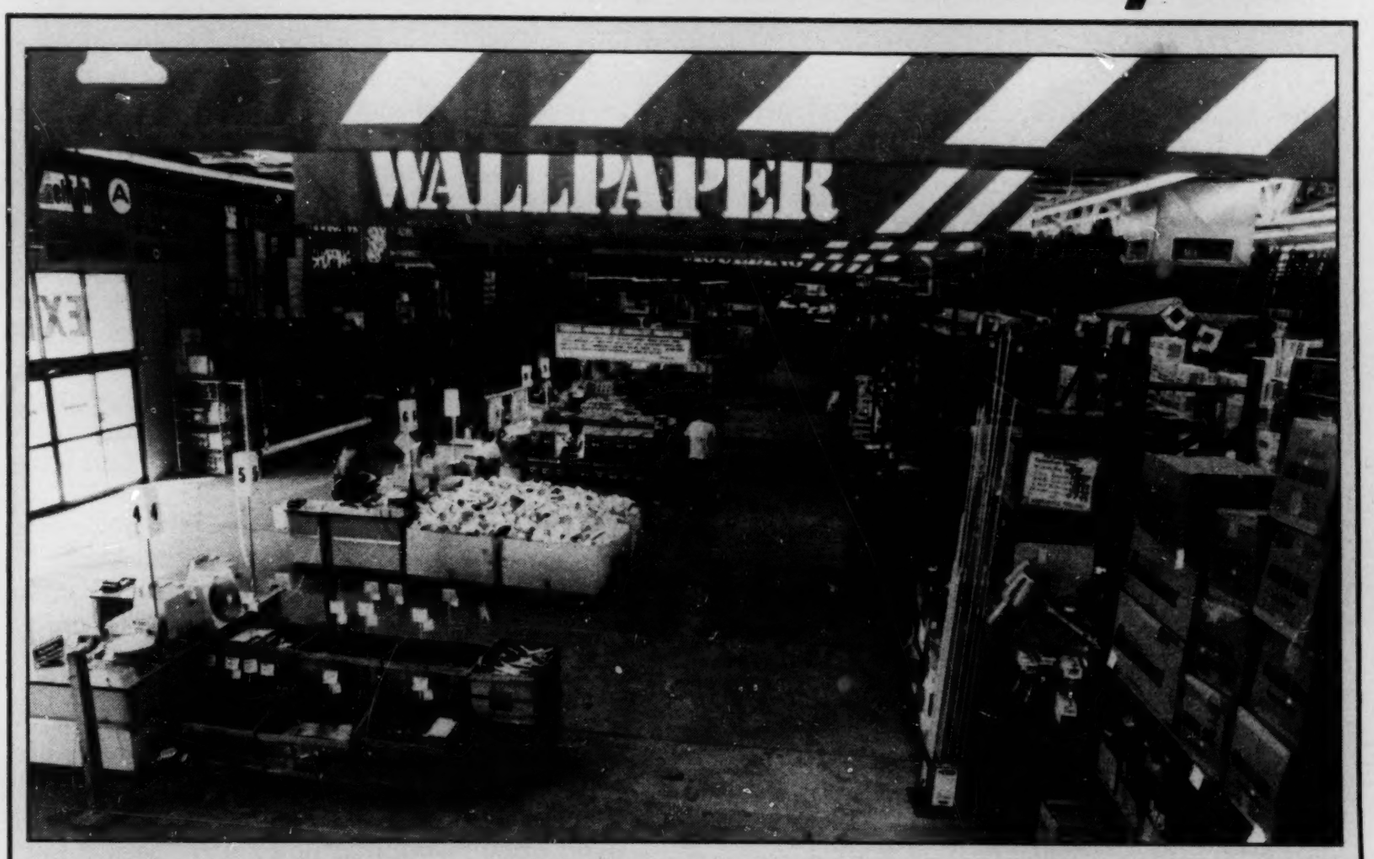
Despite all its difficulties, the Lone Star State is second only to California in the amount of lumber and building material retail sales, generating $7.2 billion in 1987, according to *Editor and Publisher*.

This good feeling about the future was very apparent at the Lumbermen's Association of Texas' 102nd Annual Convention here last month. While few retailers were able to point to sales gains and some admitted to shuttering stores, most expressed the opinion that 1987 was an improvement over a depressing 1986.

Some think the trend will continue, most prominently among them was Don Reynolds, a University of Texas economic "futurist" who lifted the mood of the dealers with a rousing sermon on the good times to come.

Reynolds warned the dealers not to tie their fates to oil, however. He said Texas' well-being will never depend on oil again, but is more related to the diversification in the state's business sector and the infusion of foreign capital into the state.

What may have been especially stirring was Reynolds' assessment that the United States, and Texas in particular, have not yet reached their housing peak. Reynolds said a growing trend in the nation's demographics is that of aging baby boomers who are trading up to larger homes with more gadgets. As the trend continues, the nation and Texas will reap the rewards of increased industry activity from vigorous construction.



Home Depot's units in Houston turned a profit for the first time in 1987. NHCN photo

It might be hard, however, for retailers in Austin, Texas, to believe that. Not only did independent dealers continue to slide into bankruptcy or vanish altogether, but some old competitors, such as Stripling-Blake and Calcasieu, experienced hefty sales declines. Despite the plummet, both companies' executives were somewhat upbeat about 1988 and beyond.

Some dealers, though, hedged their bets. McCoy's, based in San Marcos, Texas, sought to improve its activities by expanding into neighboring Arkansas for the first time.

Building boom in Florida drives Southeast prosperity

By an NHCN staff editor

MIAMI — In the Southeast, Florida continues to enjoy a building boom. And home center chains there continue to prosper. Contractor-oriented independents also thrived, but as with anywhere else, smaller hardware stores were being edged out of business.

Alabama, which once relied on steel and oil to grease its palm, has realized it must turn to other venues. Thanks to a revamped Chamber of Commerce, the economy is bouncing back. Billboards in Manhattan and Chicago state: "Alabama is open for business," and the business people down there are smiling with welcome.

And Nashville, Tenn., is blossoming with promise.

February 1987 brought a rise in housing starts and resales in Florida, which was predicted to spur a 14 percent increase in building materials sales throughout the year. The state economy continues to grow at a faster pace than the nation. Part of this is attributed to the state's high rate of immigration. The rapid growth of tourism and an increase in federal defense spending continue to feed the economy.

A cloud that passed over the state as quickly as it descended was the Florida ad tax which proposed a 5 percent surcharge on all advertising placed in the state. While retailers conceded that they would probably cut ad budgets by 5 percent to compensate, manufacturers considered a statewide boycott. Governor Bob Martinez quickly realized his error, and the tax was promptly repealed.

In Birmingham, Alabama, Moore-Handley's cost cutting procedures spurred expansion plans. Although the wholesaler acknowledged it still needs a higher net income, it is planning for it with a $5 million expansion of its warehouse in Pelham, Ala.

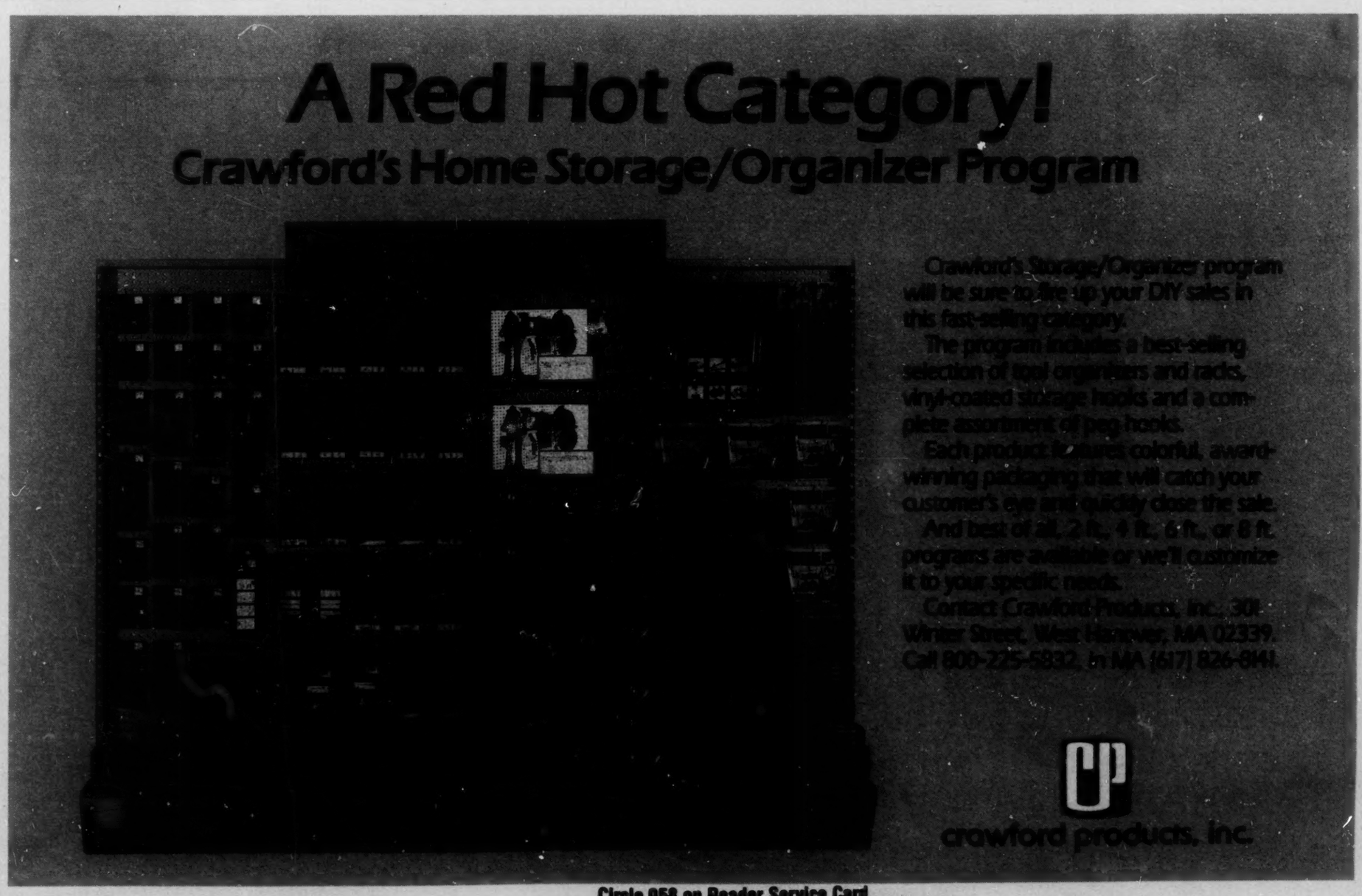
A naval base in Mobile, Ala., is expected to result in growth—an expectation recognized by Scotty's and Lowe's, which built new stores there. According to Bob Fant, Scotty's spokesman, Mobile was the next logical extension adjacent to its existing market of Pensacola, Fla.

Nashville, Tenn., the country music capital, also featured the sound of cash registers ringing at home centers. When other parts of the Southeast took a turn, Nashville became the magnet attracting opportunity seekers. It is considered a desirable place to live, with a good climate and a sound economic base spread equally among insurance, healthcare, banking, printing and entertainment. Nissan moved into town with a manufacturing facility, and General Motors had plans to build a plant nearby.

Central Hardware and Payless Cashways took advantage of an economy on the rise.

The grass certainly looks greener in the Sunbelt, and an emphasis is placed on lawn and garden. In Louisville, Ky., the Lawn and Garden Expo had record attendance, and dealers were motivated by the report there of the robust condition of the lawn mower market.

Outdoor power equipment is a growing category for sunbelt retailers, and lawn and garden remains profitable year-round.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Perspectives

annual census/hardlines

Mild weather helps boost Midwest dealers' 1987 sales

By an NHCN staff editor

CHICAGO — Midwest home center retailers, flush with "year-round" sales from milder than usual weather, maintained strong business throughout 1987. Among those firms on this year's *NHCN* top home improvement companies list, Midwest-based chains and independents averaged a 9.52 percent sales gain over 1986.

Particularly strong were the Eau Claire, Wis.-based Menard Cashway and Saginaw, Mich.-based Wolohan Lumber, whose stores saw extraordinary sales increases. And Wolohan's net income skyrocketed 70 percent to $9 million.

With the farm crisis starting to wane, the major Midwest news concerned the industry's major acquisitions.

The biggest move came from Westlake Hardware, Lenexa, Kan., which started the year as a 41-unit chain and grew to a total of 69. Westlake opened its expansion drive with the name of Lone Star Hardware, its San Antonio, Texas-based subsidiary. Under the leadership of Daryl Lansdale, former head of W.R. Grace's home center central division operations, Lone Star picked up a total of seven units in Texas and New Mexico from the Wickes Companies.

Then, in September, Westlake purchased the 21-unit, Florida-based Lindsley Home Care chain from Asset Holding Co. Asset Holding was one entity remaining from the Evans Products bankruptcy reorganization in 1986.

Both the new Southwest and Florida units were renamed Westlake Hardware.

In January, Illinois-based Handy Andy made its acquisition of the 18-unit Forest City chain; the buy moved Handy Andy into Detroit, Cleveland and Akron, Ohio.

The seismic shock heard round the Midwest, though, was from Wickes Cos., which announced in December that it intended to sell off its entire 225-unit Wickes Lumber chain, which has stores dotted throughout this region.

Last month, the chain's management signed a definitive agreement to purchase the company for $290 million in cash and $30 million in notes.

The Midwest also saw more of Builders Square last year, which moved into a number of markets for the first time with warehouse stores. While Builders Square was expanding, Payless Cashways, the Kansas City, Mo.-based operator, was probably wishing more of its units were in the Midwest. The chain got clobbered in the Oil Patch last year, and saw its net income decline 33 percent (2 percent, discounting a huge charge the company took in the fourth quarter).

Last month, Payless announced a number of bold steps that would differentiate its stores from warehouse competition, and place more emphasis on promotional sales and less on everyday low pricing. Payless, one of the industry's biggest TV spenders, will be cutting back its TV ad budget, too, in favor of more ROP ads.

While the threat of a drop in housing starts loomed in many areas, permits for single-family homes stayed strong in major metro areas like Chicago, Kansas City, Mo., and Minneapolis. Chicago reached its highest single-family permit volume since 1978 while permits for multifamily dropped 28 percent.

Other area news included Aco Hardware, the Michigan convenience hardware chain of 63 stores, setting a hardware industry record in April by opening six units on the same day. Sawhorse Home Centers, the newest retail permutation of Chicago's Gee Lumber family, debuted with four units north and west of the city, headed by Jim Gee Jr.

And Bunzl Building Materials Service (BBMS), Indianapolis, continued it acquisition growth by picking up EESCO, a Chicago electrical distributor with an interest in robotics.

Wolohan Lumber's net income skyrocketed 70 percent in 1987 to $9 million. Pictured is the chain's Saginaw, Mich., unit. NHCN photo

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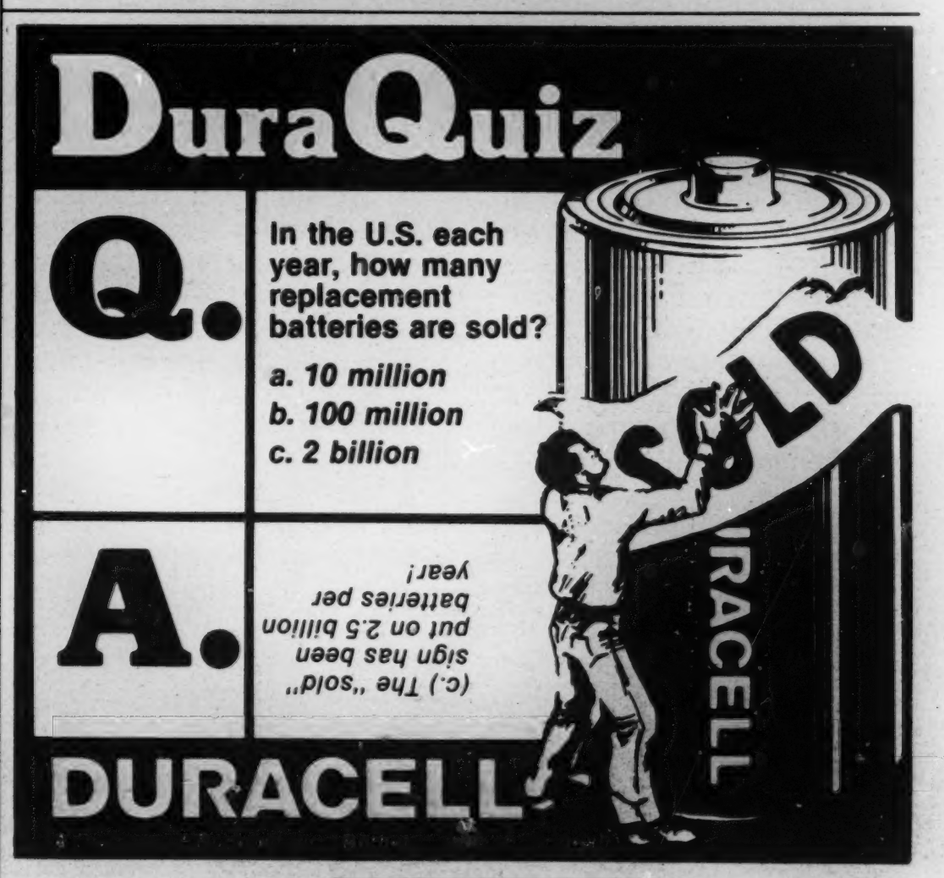

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Perspectives

annual census/hardlines

Strong sales gains in N.Y. region due to booming housing market

By an NHCN staff editor

NEW YORK — Expansion, increased sales and greater competition marked the year for retailers based in New York, New Jersey and Pennsylvania.

Among *NHCN's* top 180 retailers, Pennsylvania-based merchants led in sales gains, with an average 24 percent increase.

Chains with New York-state headquarters followed with an average 13.7 percent gain.

In New Jersey, the average gain was 13.3 percent, despite flat sales at Channel, the 170-store chain based in Whippany, N.J. Also in New Jersey was Dillistin Lumber, the Paterson independent lumberyard that perservered despite having been torched by arsonists twice. Company officials were determined to rebuild and not be driven out.

In all three states, retailers attributed the gains to strong housing markets, a remodeling boom and an interest among consumers in upscale, higher-margin goods.

Melville, N.Y.-based Pergament responded to competition with a 150,000-square-foot unit in Bethpage, N.Y.

NHCN photo

While the booming market meant increased sales, it also meant stiffer competition and retailers scrambled to renovate, expand and upgrade.

Competition was especially strong on Long Island, N.Y. Both Hechinger and Mr. Goodbuys announced plans to open stores there. Hechinger also moved into Deptford, N.J., a Philadelphia suburb.

Melville, N.Y.-based Pergament responded with a 150,000-square-foot unit in Bethpage, N.Y., that featured linens, Oriental rugs and bedding. It was one of five stores that Pergament announced it would open.

Mr. Goodbuys, based in Philadelphia, also strengthened its already strong focus on home decor. The company

(Continued on page 49)

Rocky Mountain retailers rely on remodeling to make profit

By an NHCN staff editor

DENVER — With an economy based on four devalued commodities—cattle, wheat, coal and oil—home center operators in the Rocky Mountain states have learned to profit from remodeling, rather than home building.

Times could take a turn for the better, however, with cattle and grain prices beginning to rebound in this sparsely populated region, said L.R. Aldrich Jr., president of the eight-store Aldrich & Co. chain headquartered in Billings, Mont.

"Two of our four legs are back," Aldrich said of farm prices. "With all four pulled out from under you, you've got a hell of a problem."

Depressed energy prices continue to worry residents of the region, Aldrich said.

"If we could get back up to $25 a barrel, we won't be in Fat City but people will be able to make a living," he said.

Emery Matsko, president of the one-unit Poulsen's in Great Falls, Mont., said his area's economic suffering was not limited to declining farm and energy prices.

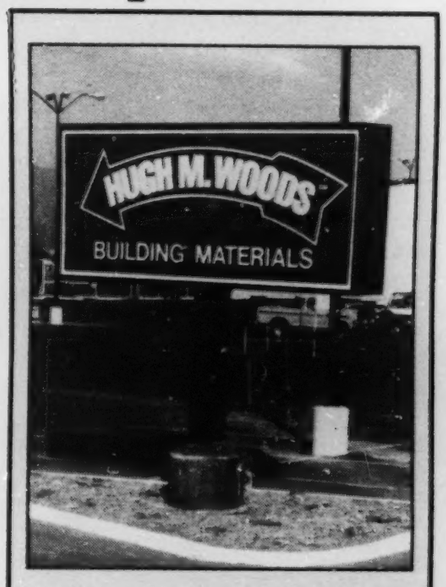
"We got hit really bad all at once," Matsko said, listing such woes as drought, the closing of a smelter and the loss of an Air Force fighter wing.

Population in Great Falls dropped from 72,000 in 1978 to 60,000 today, he said.

At Crissey-Fowler Lumber, a big one-store operation in Colorado Springs, Colo., sales have remained stagnant, reaching $34 million in 1985, dipping by a million dollars the next year, and edging back to $34 million last year.

Elsewhere in the region, Lyle Blue, vp for Bloedorn Lumber Co., an 18-store chain

(Continued on page 49)



Home centers like Hugh. M. Woods, Littleton, Colo., profit from remodeling sales.

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Perspectives

N.Y.-region retailers scramble to fight stiff competition

(Continued from page 48)
opened a prototype store in Lodi, N.J.

The Lodi store was one of six that Goodbuys planned to add by the end of the year. The others were slated for Wilmington, Del.; Baltimore; Bucks County, Pa.; and Farmingdale and Westbury on New York's Long Island.

Also in Pennsylvania, M.L. Claster & Sons readied a renovation and expansion plan estimated to cost an average $2 million per store. Company president J.B. Claster said each of its 11 units, which average 7,000 square feet, would be expanded by 30,000 square feet or replaced.

Said Claster: "We need more space to sell more things. Our stores are not adequate to meet our needs right now."

Among *NHCN's* top 180 retailers, Pennsylvania-based merchants led in sales gains, with an average 24 percent increase.

Despite that, Claster's sales were up 18 percent between 1986 and 1987, from $33 million to $38.5 million.

Also showing a sales gain was 84 Lumber, the industry's seventh largest chain based in Eighty Four, Pa.

Sales were up 20 percent, from $683 million in 1986 to $821 million in 1987, largely because the chain refocused on contractor customers and de-emphasized DIY.

The Strober Organization, in Brooklyn, N.Y., had perhaps one of the most tumultuous years. It purchased General Building Supply, a regional chain out of East Hartford, Conn.

But Strober's stock price ricocheted wildly following the Jan. 27, 1988, death of its ceo, Eric Strober, who plunged from the 22nd floor of a 26-story Manhattan office building on Jan. 27. The death is still under investigation by police.

The aftershock of the apparent suicide was an announcement by company officials that the chain might be for sale.

In upstate DeWitt, N.Y., Agway, based there, announced it wanted to build a consumer business in lawn and garden products. The chain, known for its farm products sales, plans to franchise lawn and garden centers, adding 100 units in the next five years.

Also upstate, in Buffalo, N.Y., Busy Beaver opened three units in May, featuring a kitchen and bath gallery that includes some working kitchens. The 9,000-square-foot areas are a major departure from the Pittsburgh-based chain's other units. Busy Beaver targeted Buffalo because of the number of older homes likely to be remodeled over the next few years.

On the flip side, chain managers lost out on their attempt to buy Busy Beaver from its parent, Cyclops, in a leveraged buyout. Financing for the LBO, scheduled for the end of the year, was impossible to get after the October stock market crash.

Supermarkets General, the parent of Rickel, was successful with its LBO, however.

The company went private to fend off a takeover by the Dart Group. Rickel president and ceo Chuck Davis was one of six senior managers who paid $1.5 billion for Supermarkets.

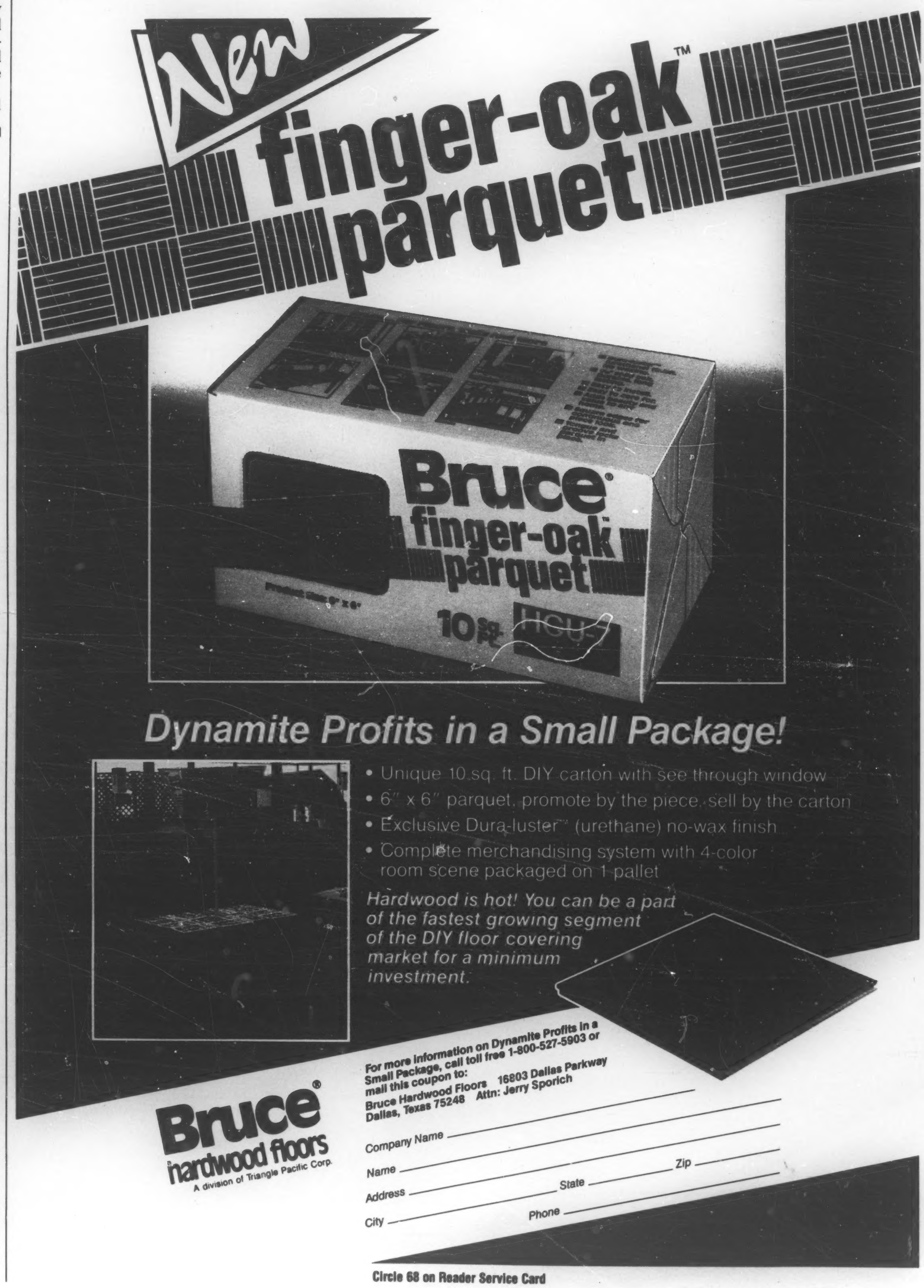
Rocky Mountain area sees some signs of recovery

(Continued from page 48)
based in Torrington, Wyo., watched uranium mines close in recent years and saw banks fail due to bad farm loans.

"We're doing fine in that we're profitable," Blue said, "but it's not like the old days with plenty of home building."

According to the U.S. Commerce Department, housing starts declined in the region last year.

Starts dropped from 1,800 in 1986 to 1,500 last year in Montana. In Wyoming, starts declined from 1,200 in 1986 to 800 last year. Colorado starts dipped from 32,300 in 1986 to 19,400 last year.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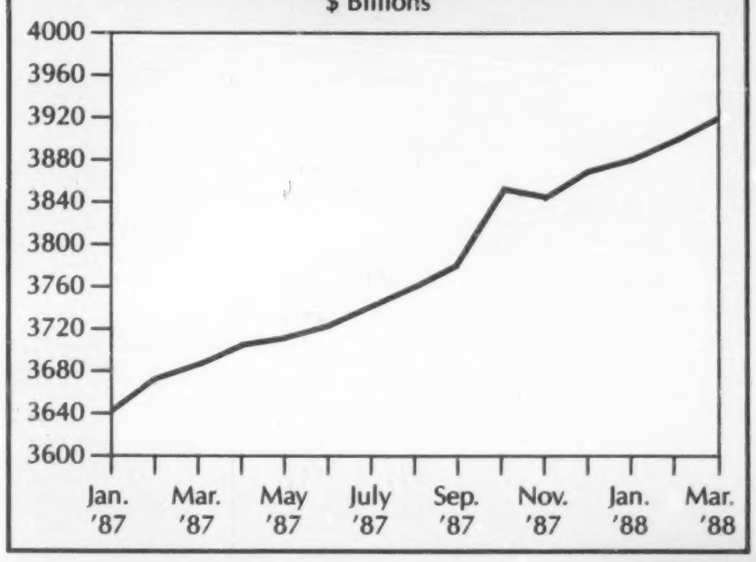
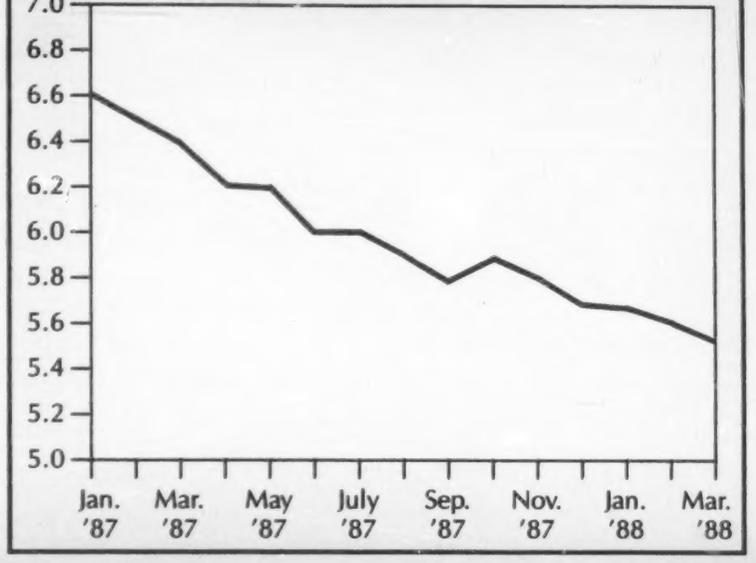
Section 4

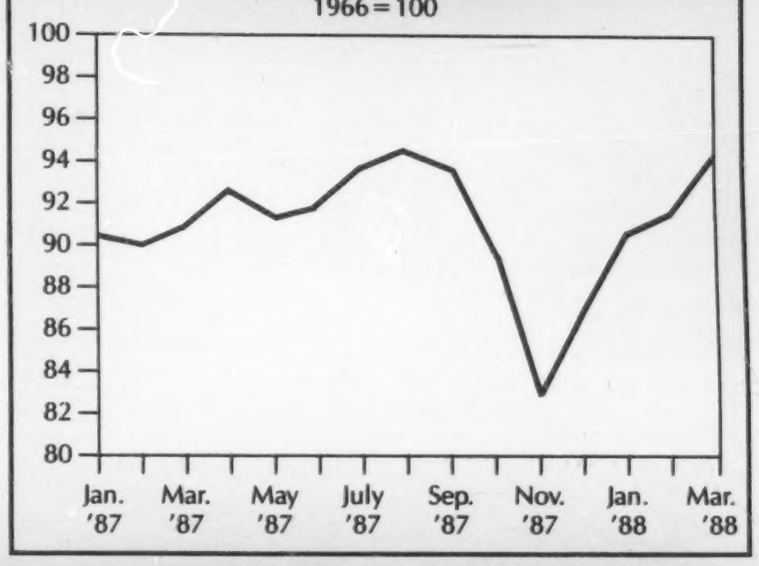
A rise in consumer income . . .



. . . and a drop in unemployment . . .



. . . are pushing confidence higher



Consumers shrug off October's economic doom and gloom

By Richard E. Mount
Special to NHCN

The outlook for building material sales in 1988 has improved in recent weeks as the consumer has indicated that he will not be retrenching his spending patterns this year. The current outlook is now for a 5.1 percent rise in building material retail sales this year, up from a previous forecast of 4.6 percent. Adjusted for price increases, unit volume will be up 1.9 percent.

The consumer is the backbone of the economy, accounting for two-thirds of total demand. When consumer spending retrenches, the results run far and wide beyond retail sales into business-equipment spending, nonresidential construction and tax receipts.

Richard E. Mount

In the wake of the October fall in the stock market, consumer confidence fell 11 percent in two months. Real retail sales in the fourth quarter declined 0.4 percent after rising 0.5 percent in the third.

But consumers shrugged off the Wall Street doomsayers after the fall and concentrated on the fundamentals. One and a half million new jobs were added to the economy from November to March and the unemployment rate fell to 5.5 percent.

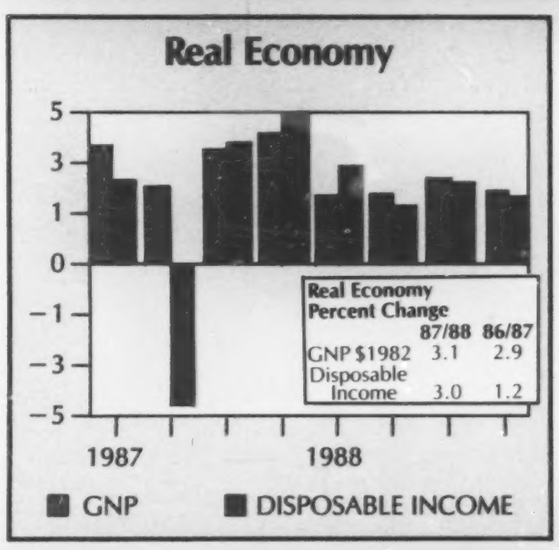
Consumer confidence rebounded 14 percent by March, higher than it was before the stock market correction. Consumers began to spend more in the first quarter, real retail sales were up 1.2 percent. The consumer was regaining momentum.

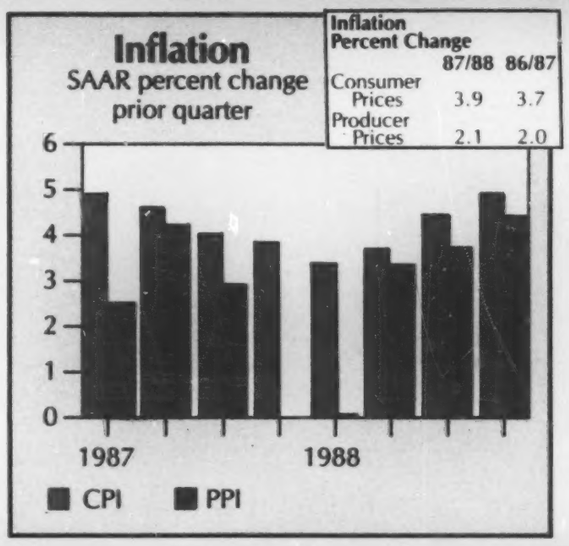
For building-material retailers, the improvement in consumer confidence should dispel fears of an imminent collapse in consumer spending.

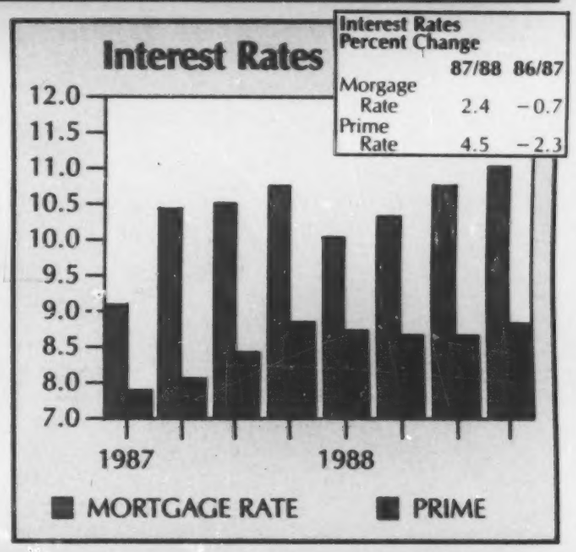
On the other hand, the rise in consumer confidence does not promise rapid gains in future retail sales. Housing and resales, which are major building-material markets, are headed lower this year and next because of overbuilding and rising interest rates.

Richard Mount is president and chief economist with Mount Economic Consulting.

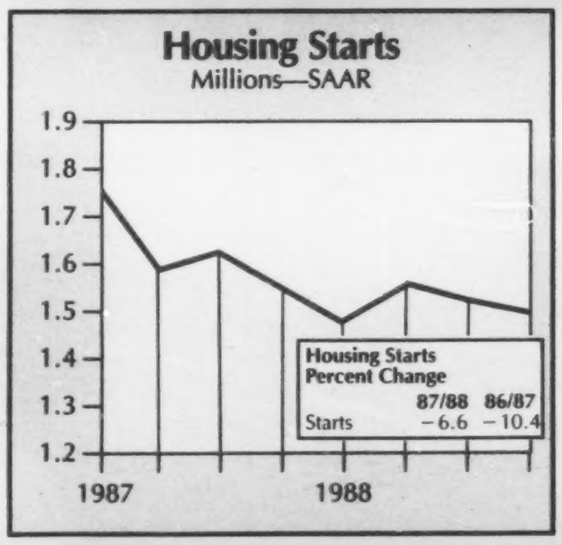
General Business Conditions

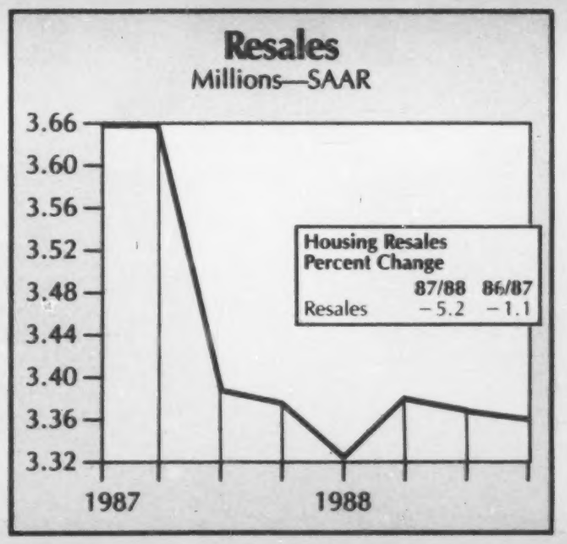


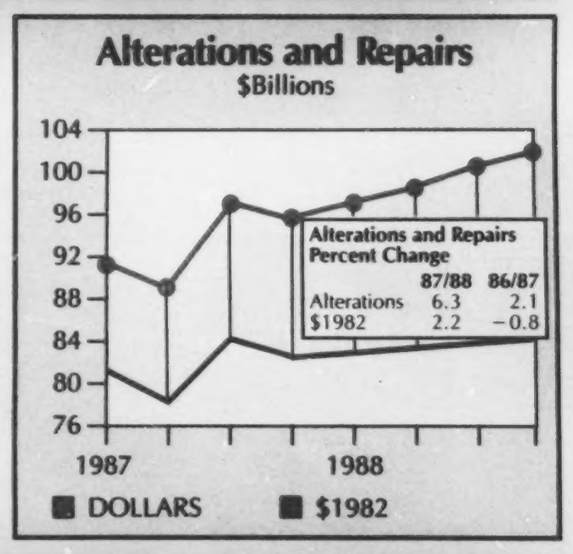




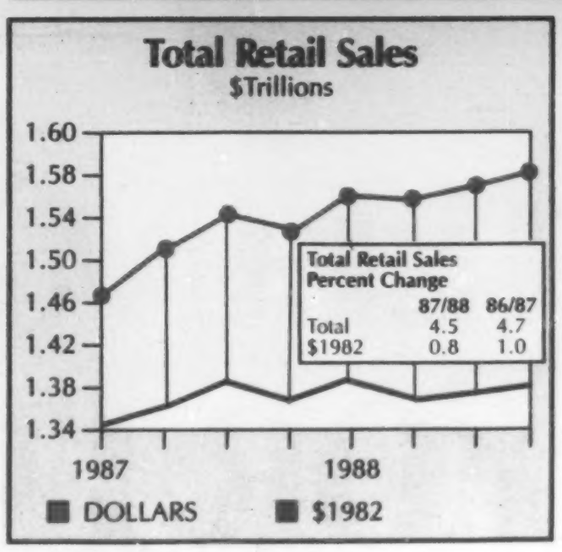
Housing

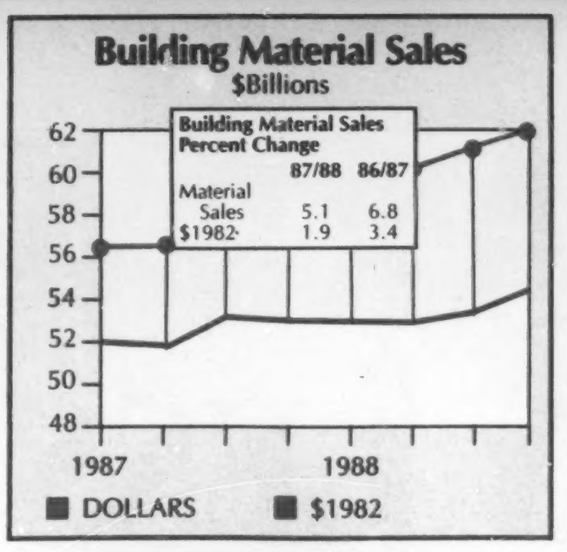


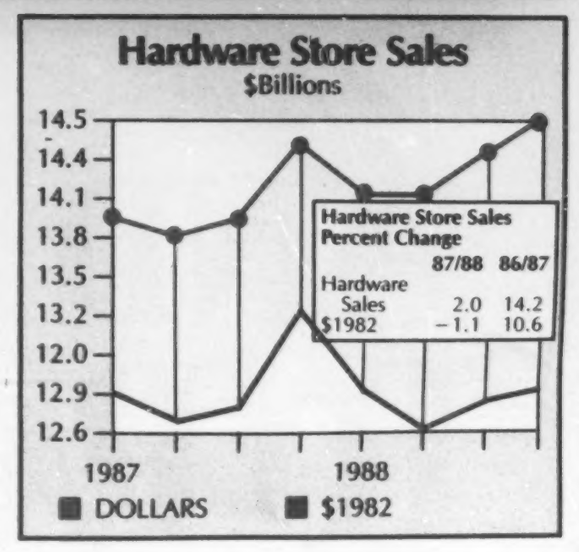




Retail Trade Activity







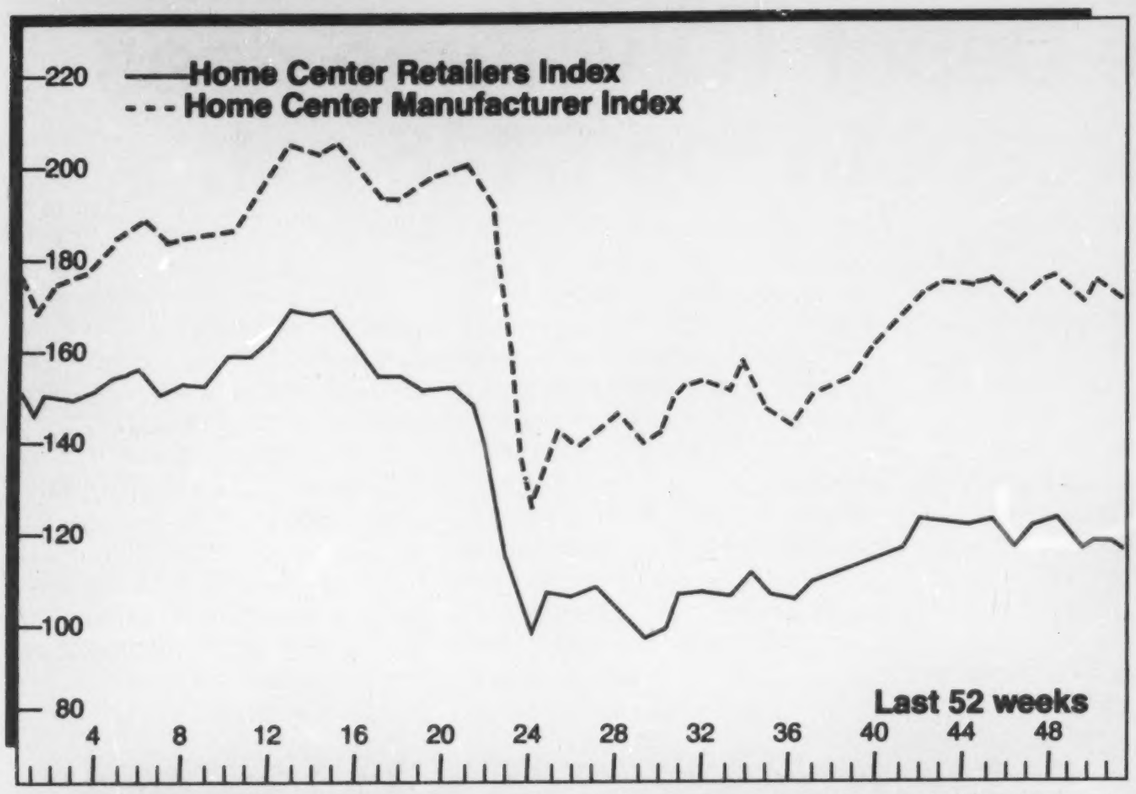
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on May 13, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Most stocks suffer decline

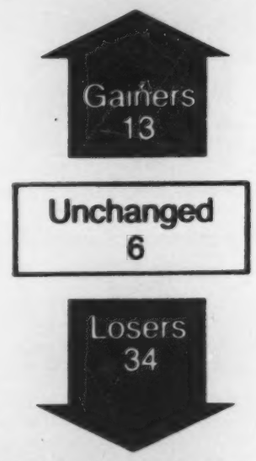
The downward spiral in the stock market has pulled down home improvement industry stocks with it. For the two-week period ended May 13, 34 of the stocks tracked for *NHCN* by Media General were off, with 13 gaining and 6 unchanged. Among publicly held retailers, General Building Products suffered the steepest decline, with its stock price being off 10.4 percent to $5.38 per share. Scotty's, the Winter Haven, Fla.-based chain, saw its stock price fall nearly 6 percent to $13.88. Conversely, Payless Cashways' stock rose 10 percent to $20.25 after rumors surfaced that corporate raider Asher Edelman had bought into the company.

Among wholesale distributors, Palmer G. Lewis' stock price jumped 8.8 percent to $9.25. But there were considerably more losers than winners among manufacturing companies during this period.

Nortek, the Providence, R.I., parent of such companies as Nautilus, Universal-Rundle and retailer Dixieline, incurred a 13 percent drop in its stock price to $7.50 per share.

Manville Corp. and Ply-Gem both had 11 percent declines in their share prices.

Among the few suppliers whose stock rose during this period were Mor-Flo, the water heater manufacturer, and USG Corp. The management of USG, the target of a hostile takeover by Desert Partners LP, apparently was victorious in thwarting its suitor through a restructuring plan that would pay off stockholders through the sale of its Masonite and Kinkead divisions.



National Home Center News HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 5-13-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.38	- .63	- 10.4	6.00	5.38	11.75	4.00	702	1.75	1.12	56.3	11.7	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc ..... M	7.00	- .25	- 3.4	7.38	6.75	10.00	4.13	5,164	1.98	2.46	- 19.5	14.0	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	17.50	.25	1.4	17.50	16.75	26.50	14.25	6,962	6.37	3.66	74.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.25	.00	.0	17.50	16.75	26.75	15.50	493	.30	.34	- 11.8	14.7	.06	.3	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot ..... N	25.75	- .25	- 1.0	26.50	25.13	28.09	12.13	12,029	2.45	1.86	31.7	22.8	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc ..... N	42.13	1.00	2.4	42.25	40.13	54.00	29.50	10,946	2.92	1.12	160.7	12.0	1.72	4.1	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp ..... N	32.50	- 1.00	- 3.0	34.75	31.25	48.38	21.63	47,363	2.33	1.32	76.5	9.6	1.32	4.1	.....	fiscal	01-88	7755.0	11.8	321.0	6.8	1.58	6.0	25627.0	7.6	692.0	15.7	3.40	14.1
Lowe's Cos ..... N	20.25	.25	1.3	20.75	20.00	29.38	15.25	7,612	1.92	.83	131.3	13.1	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	5.25	- .25	- 4.5	5.75	5.25	9.25	3.75	106	.78	.55	41.8	8.3	.00	.0	.....	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber ..... M	2.75	- .25	- 8.3	3.00	2.50	6.13	2.50	511	.91	.50	82.0	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash ..... N	19.25	1.75	10.0	20.25	17.25	24.50	9.63	25,956	7.49	3.72	101.3	24.4	.16	.8	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	13.88	- .88	- 5.9	14.75	13.50	15.88	10.00	600	.41	.41	.0	17.6	.52	3.7	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	34.63	- 1.25	- 3.5	36.38	34.25	59.50	26.00	53,151	1.40	.91	53.8	8.5	2.00	5.8	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Prt ..... N	12.63	- .75	- 5.6	14.13	12.13	31.88	10.63	1,378	1.23	1.12	9.8	36.1	.00	.0	.....	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz ..... M	11.25	.25	2.3	11.50	10.75	13.75	6.25	344	.57	.66	- 13.6	12.9	.00	.0	.....	fiscal	12-87	26.4	9.5	1.0	- 16.7	.17	- 22.7	101.6	10.0	5.3	6.0	.87	- 10.3
Wickes Cos ..... N	10.75	.13	1.2	10.75	10.00	25.00	7.25	9,680	2.02	1.58	27.8	14.0	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber ..... M	14.88	- .38	- 2.5	15.75	14.50	18.75	8.75	1,134	1.93	1.55	24.5	9.7	.24	1.6	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp ..... N	22.25	- .50	- 2.2	25.38	21.88	37.00	13.50	66,294	11.69	6.44	81.5	10.6	.40	1.8	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply ..... N	26.00	- 1.38	- 5.0	27.25	26.00	30.25	19.75	250	.75	.63	19.0	9.4	.44	1.7	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley ..... M	4.00	.00	.0	4.75	4.00	9.25	3.75	21	.09	.24	- 62.5	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	9.25	.75	8.8	9.50	8.50	9.50	5.75	2,420	6.64	2.34	183.8	23.1	.28	3.0	NEW	fiscal	01-88	46.8	.0	.2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Manufacturers																													
Am Consum Prods ..... M	13.75	.75	5.8	14.50	13.25	14.75	7.88	345	1.66	1.10	50.9	15.8	.00	.0	NEW	3 mos.	03-88	17.5	90.2	.4	33.3	.21	50.0	17.5	90.2	.4	33.3	.21	50.0
Am Standard ..... N	77.00	- .50	- .6	78.00	77.00	78.25	30.50	484	.16	5.10	- 96.9	18.3	1.80	2.3	NEW	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark ..... M	9.25	.00	.0	9.38	9.25	15.50	6.50	80	.12	.38	- 68.4	10.8	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld ..... N	38.00	- .75	- 1.9	39.50	35.88	47.38	22.50	15,269	3.30	2.30	43.5	11.3	1.00	2.6	NEW	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker ..... N	20.88	.13	.6	21.88	20.13	26.50	13.00	19,519	3.34	3.29	1.5	16.1	.40	1.9	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	44.00	- .75	- 1.7	46.25	42.50	51.16	28.81	10,304	2.28	1.47	55.1	10.0	1.20	2.7	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl ..... N	33.75	.00	.0	34.63	33.00	44.63	21.75	29,319	3.09	1.96	57.7	7.5	1.00	3.0	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl ..... M	4.75	- .25	- 5.0	5.00	4.63	18.25	4.75	446	.88	1.26	- 30.2	8.2	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus ..... N	56.13	- 2.88	- 4.9	59.50	55.13	74.50	39.00	8,153	1.61	1.15	40.0	15.8	1.80	3.2	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	29.25	- .50	- 1.7	30.00	29.00	42.00	21.00	214	.54	.80	- 32.5	11.4	1.40	4.8	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp ..... N	21.75	.25	1.2	22.25	20.50	26.63	15.50	6,466	1.03	.60	71.7	12.2	.80	3.7	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	38.00	- 2.25	- 5.6	40.50	37.38	48.38	22.75	28,260	2.67	1.74	53.4	8.4	1.20	3.2	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp ..... N	19.88	.13	.6	20.75	19.50	28.13	14.00	4,453	2.13	1.18	80.5	NE	1.00	5.0	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	30.00	- 1.38	- 4.4	31.50	29.00	39.75	21.50	6,777	1.77	1.14	55.3	7.4	.92	3.1	NEW	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel ..... M	14.75	- 1.13	- 7.1	16.00	14.75	23.50	12.00	7,649	.75	.53	41.5	NA	.85	NA	NEW	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	2.00	- .25	- 11.1	2.25	2.00	5.38	2.00	9,132	3.80	1.25	204.0	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	25.38	- .75	- 2.9	27.00	24.63	39.25	18.75	23,189	1.75	.93	88.2	13.9	.40	1.6	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	5.75	.25	4.5	6.25	5.50	12.50	5.50	324	1.30	.25	420.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co ..... N	36.00	- 2.00	- 5.3	37.88	35.75	43.00	21.13	1,190	1.03	1.15	- 10.4	12.5	1.00	2.8	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	7.50	- 1.13	- 13.0	8.63	7.00	14.75	5.00	5,766	3.76	1.30	189.2	NE	.10	1.3	NEW	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn ..... N	19.88	- .63	- 3.0	20.50	19.38	27.00	9.00	10,254	2.56	2.45	4.5	3.8	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem ..... A	12.50	- 1.63	- 11.5	14.13	12.38	17.75	9.00	1,939	1.74	1.04	67.3	18.7	.12	1.0	NEW	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot ..... N	19.75	- .25	- 1.3	20.38	19.38	27.25	9.75	1,890	1.58	1.68	- 6.0	8.1	.50	2.5	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp ..... N	29.00	- 1.88	- 6.1	31.50	28.75	39.25	21.00	2,317	.87	.53	64.2	8.4	.92	3.2	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds ..... N	42.75	- .13	- .3	42.75	40.13	53.50	27.50	18,734	1.57	.92	70.7	12.1	1.20	2.8	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms ..... N	26.00	- .63	- 2.3	27.00	25.38	36.13	20.13	5,832	1.33	1.11	19.8	12.0	.64	2.5	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	26.88	- 2.38	- 8.1	29.50	26.50	36.63	21.25	3,562	.83	.64	29.7	12.9	.88	3.3	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	20.00	- 1.63	- 7.5	21.75	20.00	22.38	13.81	596	.57	.73	- 21.9	11.4	.68b	3.4	NEW	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind ..... N	29.75	.00	.0	30.00	29.25	44.00	22.50	7,675	3.39	1.72	97.1	14.2	.12	.4	NEW	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp ..... N	33.88	- .25	- .7	35.00	33.50	47.63	26.00	11,891	1.61	1.05	53.3	10.7	1.24	3.7	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp ..... N	44.63	3.63	8.8	47.25	41.50	55.88	23.50	98,110	19.00	5.86	224.2	14.5	1.12	2.5	NEW	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind ..... M	13.50	- .75	- 5.3	14.38	13.00	14.38	7.25	2,795	4.57	2.08	119.7	14.2	.10	.7	NEW	9 mos.	03-88	38.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.75	87.5
Weyerhaeuser ..... N	37.50	.00	.0	38.50	36.75	57.50	19.00	28,920	2.12	1.18	79.7	11.8	1.80	4.8	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

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Wet spring dampens lumber, building materials sales

(Continued from page 1)

"There's just no place we can put it," the buyer said, requesting that neither his name nor his company's appear in this article. The buyer said first quarter sales had been sluggish and contractor orders off by 30 percent.

The first quarter was soft for both contractor- and consumer-oriented dealers around the country, primarily because the spring has been so cold. April sales for Lowe's, the industry's biggest chain, were up only 3 percent.

Bob Mayer, chief financial officer for Sherwood Lumber, Roslyn, N.Y., a national wholesaler servicing 37 states, agreed that retailers are requiring wholesalers to retain more stock.

"What's happening is that everybody is sitting back and waiting for the price of lumber to bottom," Mayer said. "I think they are waiting for it to drop another $10 a thousand [board feet]."

Mayer said Sherwood currently has 5 million board feet of treated lumber sitting in Philadelphia awaiting buyers.

Bruce Pergament, vp of Pergament Home Centers, Melville, N.Y., said his company had canceled orders and sent back merchandise in some lines. "Let's face it, the weather in our markets has been crummy, especially in April. Every dealer you'd call in the New York area would have experienced the same thing," he explained.

In the Midwest, Kurt Dallesasse, lumber buyer for Seigle Home Centers, Elgin, Ill., said it wasn't until late April to early May that his contractor customers came out of the woodwork and began placing orders. While the retail side of the company's business had been strong during the first quarter, Dallesasse said contractor business waned and inventories grew.

"In 1987 we had a very warm winter, business was good and people got spoiled," Dallesasse said. "So they ordered heavy and then we had a crappy winter while large inventories were being built."

Stephen Sabbeth, president of Sabbeth Lumber, a wholesaler based in Deer Park, N.Y., attributed the high retail inventories and sluggish sales to the weather but indicated that the current conditions are not necessarily anything to fret about.

"I know people are holding a lot of inventory with skinnier margins," Sabbeth said, "but what's happened is that the market is about 30 days late in kicking off because of the weather.

"But I don't think it's anything to worry about. I think the balance of the year in our region might be a little off, but still strong."

C. Stewart Gentsch, president and general manager, Stanley Hand Tools, New Britain, Conn, agrees.

"This is nothing out of the ordinary," he said. "I can't think of a single year where we haven't had dealers turn back stuff in the first quarter."

But one disturbing trend some wholesalers and manufacturers have encountered are credit problems from retailers in the Northeast.

Credit problems

Mayer of Sherwood Lumber said some custom home builders have luxury projects going unsold andare unable to pay their dealers who, in turn, don't pay the wholesaler.

"We don't want to finance our customers," Mayer said. "But some have supplied material to spec homes in the $350,000 range and those builders aren't selling the houses.

"Our response: 'Don't come to Sherwood. Go to the bank.' "

Conference tells dealers and suppliers to be 'partners'

(Continued from page 3)

management may be shifting from the supplier to the retailer; that dealers needed to derive a much more realistic appraisal of a product's profitability; and personnel training will require a joint effort by dealers and suppliers.

But in conversations with dealers and suppliers, *NHCN* found that the formation of what Dr. Bert McCammon, director of marketing with the University of Oklahoma, called "practical strategies of mutual advantage" remains an ideal more than a reality.

The barriers of self interest where rebates, knockoffs, buybacks and "fair pricing" are concerned still need to be broken down.

The conference did lead to some unanimity of opinion between retailers and suppliers, however, as they were awakened to the fact that customers' needs weren't being adequately addressed.

"Two years ago, we opened a store and began to 'think retail,' " said Dene Kimball, executive vp for RKB Enterprises, the Elmira, N.Y., wholesaler. "Now, we have to change our company and 'think consumer.' "

McCammon's main complaint about home improvement retailers was that their stores "have a relatively weak and deteriorating consumer franchise." This lack of market distinctiveness has led dealers to use what he called "kamikaze and pit bull marketing" pricing tactics.

The dealer's image is significant because, according to McCammon, the national advertising and promotional campaigns of suppliers are becoming increasingly inefficient. One third of all home improvement purchases are decided upon when consumers are in the stores; in addition, 15 percent walk out without buying anything.

McCammon went on to break down typical retailers into specific buying groups, and suggested that retailers have to "know who these people are, and what. . . they want."

This is where manufacturers and wholesalers come in by forming a "partnership" with dealers that includes the development of goals, inventory planning, marketing and personnel training.

"Distribution management is the new frontier in marketing," said McCammon. But he cautioned that streamlining distribution "is no substitute for strategic distribution."

Earlier in the conference, Dr. Walter Salmon, professor of retailing at Harvard University, made a similar plea for the development of partnerships and played up the role of the wholesale distributor and co-op in the market.

Salmon's biggest pitch, though, was for dealers to determine what they buy and who they buy from through a "direct product profitability" (DPP) formula that he said was a far more realistic assessment of a product's performance. McCammon agreed entirely, claiming that DPP "gives us a good shot at doubling profitability and return on assets."

The conference, which was cosponsored by *Home Center* magazine and the American Hardware Manufacturers Association, also featured Robert Strickland, the chairman of Lowe's, who encouraged attendees to purchase the research that has been assembled by the DIY Research Institute. Arthur Miller, a professor of law at Harvard, also gave a dinner address concerning ethics in business.

Makita wrestles with importers for share of cordless tool market

(Continued from page 3)

named as an importer of lookalikes), was "incensed" and "enraged" at Makita's complaint. "They're not a domestic company, and should not be protected by the ITC."

Deliberations postponed

After a number of the companies cited in the complaint pointed various deficiencies, Makita requested an indefinite postponement on deliberations about beginning the investigation, which was granted on April 27 by ITC Secretary Kenneth Mason.

Makita's Margolis said the company was supplying the ITC with additional information on U.S. content of its Georgia-produced tools.

In addition, according to Makita's attorney William Zeitler, the federal agency wanted Makita to include additional Taiwanese companies in the complaint.

Zeitler, an attorney with the Washington firm of Bell, Boyd & Lloyd and a former ITC division head, said the four tool models made in the Georgia plant are constructed from parts supplied by U.S. manufacturers.

The information supplied to the ITC will remain confidential, he said.

Not surprisingly, Makita U.S.A., International Consumer Brands and Trade Associates are in the same boat: For each, "importer" has become a dirty word, as they all intend to expand their U.S. production facilities.

- Makita U.S.A. wants to eventually produce half of the tools it sells in the U.S.

Ten percent of the subsidiary's 1987 sales of $295 million came from production at its Buford plant, which employs about 35 people and is scheduled for expansion by 1990;

- International Consumer Brands plans to begin a mixture of manufacturing and assembly in the next 90 days in Arizona and New Jersey, employing 60 to 70 people, said Hahn in mid May.

The two-year-old, Connecticut-based supplier posted 1987 sales of $30 million, up from $8.6 million in 1986. Hahn said ICB is spending "more than $1 million in advertising" on Father's Day and similar fall promotions;

- The $10 million Trade Associates was started in 1981 and did band saw assembly at its Auburn, Wash., plant two years ago. It plans to expand its assembly and manufacturing here.

But the Makita complaint could kill expansion and divert funds to lawyers' fees and court costs.

The cost to International Consumer Brands in attorney's fees could cost $300,000 to $500,000, a figure Hahn said could not be recouped since the Makita complaint is in an administrative law court.

It's worse for Trade Associates. If the ITC upholds Makita's complaint "and Taiwan imports have to stop it'll put me out of business," claims Turnbull.

Home center industry's earnings boom for 1987

Earnings performance of publicly held companies

Company	Sales (in $mil.) 1987	Sales (in $mil.) 1986	Net income (in $mil.) 1987	Net income (in $mil.) 1986	% chg.
RETAILERS					
Home Depot	1,453	1,011	54.1	23.9	126.5
Pay 'N Pak	429	398	12.7	5.7	122.8
National Hardgoods Distributors	36	34	0.96	0.49	95.7
Wolohan Lumber	229	194	9.0	5.3	69.8
Hechinger**	725	588	41.9	28.3	48.1
Lowe's	2,442	2,283	61.2	52.5	16.6
Scotty's (period ended 7/87)	516	494	10.3	13.5	– 23.7
Payless Cashways	1,770	1,528	28.1	42.4	– 33.7
Grossman's	1,077	1,006	17.8	152.1†	NA
Diamond Lumber	232	338	(22.2)	(0.9)	–236.7
National Lumber	159	150	0.2	(2.4)	NA
Wickes Cos. (home improvement and furnishings div.)	1,083	786	57.3*	25.3*	126.5
K mart (corporate)	25,627	23,812	692.0	520.0	33.1
(specialty div.)	3,490	2,500	75.0*	37.0*	102.7
Sears (merchandising div.)	28,085	27,074	787.0	736.0	6.9
WHOLESALERS					
Cotter & Co.	1,854	1,734	89.3	71.2	25.4
Palmer G. Lewis	217	187	1.6	1.3	23.1
Hughes Supply	432	348	16.3	13.5	20.7
Ace Hardware	1,198	1,061	41.6	36.5	13.9
CoastAmerica	354	336	3.4	3.3	3.0
Moore-Handley	98	85	0.4	1.2	– 61.7
MANUFACTURERS					
Owens-Corning	2,890	3,640	200.0	16.0	NA
Black & Decker (period ended 9/87)	1,930	1,790	55.6	6.3	NA
Newell Group††	720	401	37.2	24.0	5.0
Masco (building and home improvement)	1,460	1,260	303.0*	265.0*	14.3
Georgia-Pacific (building prod. div.)	5,760	4,850	533.0*	500.0*	6.7
CertainTeed (fiberglass div.)	549	518	79.4*	99.8*	– 20.4
(building mat'ls div.)	363	337	22.0*	24.4*	– 9.8
Weyerhaeuser††† (forest products div.)	3,003	2,434	338.6*	243.7*	38.9

NA: not applicable

*operating income

**does not include sales from Home Quarters Warehouse, whose acquisition was completed in February.

†includes gains from settlement of liabilities from Chap. 11 reorganization.

††includes sales and earnings from Anchor Hocking acquisition

†††Sales to unaffiliated customers

Source: company annual reports NHCN chart

Earnings boomed for many home improvement companies last year, particularly retailers, led by The Home Depot's 126 percent gain and Pay 'N Pak's 123 percent increase. Several wholesalers fared strongly as well, as did the selected group of manufacturers listed, with the exception of CertainTeed, which is fighting a complete takeover by its corporate parent.

Retailers fight for position on lucrative Long Island

(Continued from page 1)

"We know where all the good sites are in the market, because of our relationship with realtors here," said Bruce Pergament, the chain's vice president, in a recent interview. "We've either bought them or rejected them as not adequate."

Consequently, Hechinger, The Home Depot and Goodbuys are already battling each other for potential sites in a market where real estate prices are high and prime retail sites scarce. They also have to familiarize consumers with their stores' names in an expensive media market and find employees to run large stores in this area of low unemployment.

Unquestionably, the potential of the market is enticing.

By 1991, Nassau-Suffolk will rank second for most affluent households in the entire country, according to *Sales and Marketing Management*, with an average household income of over $71,000. It is projected to have a population of 2.74 million, growing by almost 3 percent from 2.66 million in 1986.

According to *Editor & Publisher* magazine, Nassau-Suffolk retailers will generate $1.19 billion in hardlines and building materials sales in 1988, which would be the ninth highest in the country.

Not surprisingly, Long Island is one of the target areas for The Home Depot which, in a letter to *NHCN*, confirmed that it plans to place 50 stores in the New York metropolitan area over the next 10 years. "That number might, in fact, become more if the land and opportunities are there," wrote Bernard Marcus, chairman of the Atlanta chain.

Goodbuys is looking to make use of secondary sites, and its Westbury unit has been converted from a food distribution center, one block behind the main throroughfare, and Farmingdale converted from a glove manufacturing plant visible but set back from Route 110.

"We can survive in secondary sites but clearly know we can do better when very visible," said Tom Thornton, president and chief executive officer of Mr. Goodbuys, which is based in Philadelphia. The company plans to open two or three more stores on Long Island next year, depending on the availability of sites and the level of home center activity.

The challenge for Mr. Goodbuys in opening the Westbury and Farmingdale stores was not only to introduce its name to a new market, but to manage and merchandise the stores more efficiently, given the high cost of real estate.

Both stores are able to carry 20 percent less inventory by being serviced three times a week from the company's new distribution center in northeastern Philadelphia. This cuts down on the bulky millwork items carried in the store, although the reduction is not immediately evident on the sales floor, where 40,000 skus are displayed.

Both stores are a little smaller than the company norm: 86,000 square feet in Westbury and 90,000 square foot in Farmingdale.

But Mr.Goodbuys has improved its planogramming to make more use of cubic space. For example tub enclosures stand three high on top of each other in displays, shower doors stand end to end and vanities are racked five high.

Goodbuys commitment to growth is seen in its continued search for new DC sites. Its present 150,000-square-foot DC is merely a stop gap to service the newest stores, as the chain intends to build a 400,000-square-foot DC in the Philadelphia for the chain.

Retailers find barter is better than cash

(Continued from page 1)

Diamond recovered its costs through a $2 million deal begun late last year with SGD Corporations, a New York-based trading company, said Robert Green, the chain's vp-merchandising.

Warren Rothstein, SGD's executive vp, signed an agreement with Diamond to take delivery of the goods and to provide the home center chain with $2 million in goods and services at discounted prices.

In the trade, Diamond received the services of a New Jersey distribution center, and was able to close its own Manchester, N.H., DC.

The relationship has blossomed and Diamond expects up to $50 million worth of business this year with SGD, much of it for the distribution center services, Green said.

"We're retailers and we want to concentrate on the buying and selling or merchandise and leave distribution to people who are expert at it," Green said.

SGD has been striking barter deals for home centers for about four years and its customers have included Channel, the 179-store, Whippany, N.J., chain and Lowe's, the 296-unit chain in North Wilkesboro, N.C. Yet many retailers remain untouched by barter, Rothstein said.

"It's a move off from their normal posture," he said, "but the growth will be enormous."

Dealers who specialize in selling closeouts believe growth may be slower.

"Personally, I think it lends itself more to general merchandise than to home centers," said Mort Bernstein, president of Ollie's Bargain Outlets in York, Pa., the closeout specialist that has been paid in cash when dealing wtih SGD.

Bob Capron of Milhurst Trading in Freehold, N.J., (and formerly a buyer with Pergament and Mr. Goodbuys) also noted that barter continues to play only a small role in home centers' business.

SGD's Rothstein is out to change that, though he noted that most in the industry remain unfamiliar with barter.

He said SGD reimburses home centers for the total cost of the merchandise, and explained a typical agreement: SGD might agree to take delivery of goods worth $300,000, establishing an accounts receivable in that amount with the retailer.

The retailer then might agree to accept $100,000 worth of accommodations in a hotel chain Rothstein was doing another barter deal with.

The retailer then pays $50,000 in cash to SGD and reduces the receivable by $50,000. Transactions continue until the retailer has retired the receivable.

"It shouldn't work but it does," said Green of Diamond Lumber. "You're paying $10 each for glue guns and he gets you 10,000 for $9 each by doing something like taking a manufacturer's entire output for a period of time. He might have bought them for $7 each."

"I think it really is an individual choice," added Bob Swanson, Lowe's senior vp-merchandise, "but it clearly affords an alternative when a retailer wants to make a significant change in his merchandise mix."

Redwood sales expected to rise

(Continued from page 1)

Mill Valley, Calif., redwood lumber enjoyed a sales boost last summer. This was attributable to a growth in demand where the product previously had struggled for market share, particularly in the East and Midwest.

Prior to its resurgence, however, redwood demand lagged due to a combination of factors including government seizure of redwood forest land, increased freight costs and increased attention from militant environmentalists.

This year, sales continue on the upswing and suppliers, disagreeing with the WWPA projection, are optimistic that the trend will continue.

John Callahan, specialty lumber buyer for Riverhead Lumber, Riverhead, N.Y., said that redwood for decking is moving at a noticeably higher pace than last year. "We're selling 15 to 20 percent more than last year," he said.

He added that the bulk of redwood sales are for decking.

With regard to the potential effect of environmentalists decreasing supplies through lobbying efforts and land seizure, Callahan affirmed that he has had no trouble with suppliers. "The environmentalists may succeed in driving prices up by publicizing the idea of a possible shortage," he added.

Stephen Sabbeth, president of Sabbeth Industries, a national wholesaler based in Deer Park, N.Y., said that demand for redwood on the East Coast has increased 30 to 40 percent over last year. One reason, he said, was that redwood prices have stabilized to the point where they are competitive with treated lumber.

Sabbeth referred to militant environmentalists as uninformed, but conceded they have garnered significant publicity which needs to be countered by lumber groups.

Environmentalist groups such as the Sierra Club and Friends of the Earth have indeed been vocal in their views on redwood preservation. David Ortman, Northwest representative for Friends of the Earth, said that while some redwood trees were protected, he didn't think that the boundaries were adequate.

"We're looking at areas to preserve. We think there are alternatives to using redwood—everyone doesn't need a redwood deck or a redwood chair. Using trees 500 to 700 to 1,000 years old for projects that last 10 to 20 years is a tremendous waste."

Due to production problems the company index could not be run this issue.

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Vol. 14, No. 12 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 13, 1988

Owens-Corning plans entry into window market

By Edward McKinley

TOLEDO, Ohio — Owens-Corning Fiberglas Corp. plans to introduce a high-end line of polyester and fiberglass windows designed to improve energy efficiency by 10 to 20 percent over wooden windows, company officials said.

The windows, with reinforced polyester exteriors covering a core of fiberglass insulation, will debut this fall in Eastern states under the name FIBRON, said

(Continued on page 87)

Raider would spin off Payless units

By an NHCN staff editor

KANSAS CITY, Mo. — Some of Payless Cashways "should" be spun off, according to Asher Edelman, the New York investor who has made a run at the $1.8 billion chain by acquiring a chunk of its common stock.

And if the 198-unit chain were broken up, a significant portion of it could fall into the hands of Dwight Sutherland, the chairman of Sutherland Lumber in Kansas City, Mo., who has joined Edelman and a consortium of companies to purchase nearly 10 percent of Payless' 33.7 million shares, valued at around $60 million.

Edelman (who spoke with *NHCN* briefly on May 25), Sutherland (who did not) and Payless' chairman David Stanley aren't negotiating yet, though, as their comments about any proposed takeover of Payless have been confined to terse statements and stare downs more akin to a poker game.

Edelman sent Stanley a letter on May 27 asking for a shareholders meeting to discuss a warrant rights plan Payless' board hastily voted in to guarantee that company stockholders would be adequately compensated in the

(Continued on page 86)

Payless Cashways' Top 10 Institutional Shareholders

Company	No. of shares
Alliance Capital	1,266,000
Texas Teachers Retirement Fund	1,259,000
Dodge & Cox (money managers)	1,069,000
Centerre Bank	997,000
Neuberger & Berman (money managers)	984,000
California Public Employees Retirement Fund	895,000
Investment Counselors (money managers)	708,000
Guardian Mutual Fund	335,000
IDS Financial	300,000
Hawaiian Trust	201,000

Source: March, 1988 report from Vickers Stock Research Corp., Huntington, N.Y.

NHCN chart

Snow blower orders in June? Yes, say enthusiastic dealers

By Edward McKinley

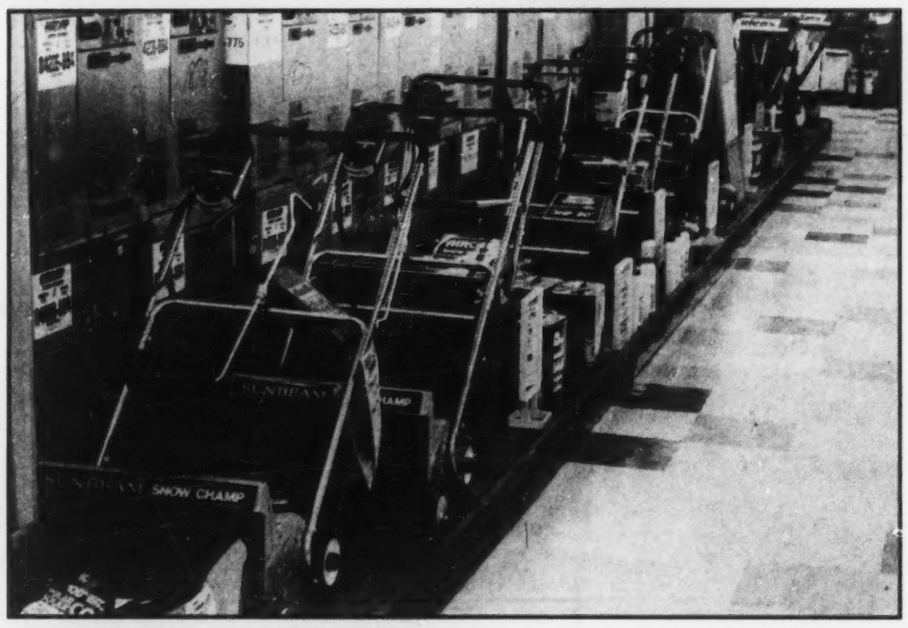
NATIONAL REPORT — For some, thoughts turn to love in springtime. For others, snow throwers come to mind.

April, May and June are the months when most home center buyers order snow throwers for fall shipment and winter sales.

Industry sources said this season's orders are stronger than a year ago, mainly because of heavy snows late last winter and heavy rains this spring in the East.

Blizzards triggered consumer purchases that helped retailers deplete their inventories and leave room for

(Continued on page 87)



Industry sources report that snow thrower orders are healthy after a successful winter selling season. Pictured is Rickel in Union, N.J.

NHCN photo

Eclipse president gives up control of firm in deal with financier

By Gary S. Ruderman

ST. LOUIS — Steve Feinstein, president of the perennially undercapitalized Eclipse Industries here, lost control of his five-unit company in a deal with a Texas financier, *NHCN* has learned.

While Feinstein gave up more than 50 percent of Eclipse, no funds have come into the company from his new partner Don Navarro & Associates of Dallas, a senior Eclipse official confirmed.

And this alliance, whatever its ultimate resolution, could affect the future of Feinstein's partnership with Fred Erb in two Cleveland DIY Warehouse operations.

Vendors report Eclipse officials have scheduled conferences this month to discuss the new financing arrangements.

Dick Daner, executive vp of Eclipse, told *NHCN* on May 27 that the deal to bail out Eclipse "hasn't injected

(Continued on page 86)

Labor shortage forces creative hiring in New England

By an NHCN staff editor

PORTLAND, Maine — Larry Bates is the kind of salesman New England dealers dream about, have had trouble finding and, lately, are bargaining for in unorthodox ways.

Bates boasts of having sold up to $2.5 million worth of building materials in a single year as a contractor salesman for Hancock Lumber's Kennebunk, Maine, operation. And during his 17-year career—which has also included a stint at Grossman's—he's gotten lots of job offers from competitors, but none like the one he received recently: a "cash prize" Bates claims was offered by another local dealer just to talk about a position.

He was unable to produce proof, in the form of a letter, that such an offer was made. But Bates—who said he's satisfied with the job he has and did not show up for the meeting—may not be the only one to receive such an invitation.

Whether the Bates example is an isolated case or the iceberg's tip of a growing activity remains to be seen. But it is clear that some dealers in New England, limited by what is regarded as the nation's tightest labor market, may be experimenting with an array of enticing recruitment incentives to find productive employees.

These incentives, which have been reported to *NHCN* by local dealers who asked that their names not be used, purportedly include cash to potential hirees at the end of an interview and even tempting seasoned workers with new cars or Jeeps if they sign on.

And it appears that the recruitment enticements are aimed more at valued contractor salespeople and, in some cases, assistant store managers and their superiors.

But with the exception of the Bates case, *NHCN* was unable to substantiate on the record any one of these allegations. And it seems that the anxiety level of competitors may be causing some hiring myths to be perpetuated.

For example, local sources said Diamond Lumber, the

(Continued on page 87)

INSIDE

Perspectives

The *NHCN* Annual Report on the Home Center Industry Part Three

Building materials distributors aren't relying on surges in home building to expand their businesses. Instead, many are aiming their products and marketing at those outlets that cater to the home improvement remodeler, with home centers being a prime target.

NEWSBREAKS

NEW WAVE OF HOME CENTER SITES AVAILABLE? Possibly, as Stop & Shop, the supermarket company, has retained Shearson Lehman Hutton to investigate the divestiture of the southern division of Bradlees, its mass merchandise chain. The 58 stores, which generated $635 million in sales last year, are located in greater Philadelphia (including southern New Jersey); Baltimore-Washington; Tidewater, Va., and North Carolina. The typical size of a Bradlees unit in play is 72,000 square feet.

INDUSTRY UPDATE

Anderson president named ceo

OGDEN, Utah — Following the death of company chairman E. Leroy Anderson, Anderson Lumber Co. president and ceo James C. Beardall has assumed the additional title of chairman of the 23-unit chain headquartered here.

Before he was named chairman of Anderson Lumber in 1979, E. Leroy Anderson had been general manager for 17 years.

The 77-year-old Anderson, who was a nephew of the company's founder, died Jan. 25, 1988.

Beardall was also named chairman of Anderson Lumber's wholesaling subsidiary, Pioneer Wholesale Supply Co.

A certified public accountant, Beardall joined Anderson Lumber in 1966 and has served in several executive positions.

Beardall is a director of the National Lumber and Building Material Dealers Association.

Beardall is also chairman of Central Builders Supplies Co., a national purchasing cooperative based in Sturgis, Mich.

HomeClub enters Calif. desert

FOUNTAIN VALLEY, Calif. — HomeClub, with 15 locations in southern California mostly in the heavily populated metropolitan area, has set its targets on the fast-growing desert region.

HomeClub has grand openings slated this month for two warehouses in Victorville and Lancaster.

The Victorville warehouse will have 117,814 squarefeet and will be one of the largest units in the now 38-unit chain. The square footage includes a 13,905-square-foot nursery area. HomeClub's facility in Lancaster will be 103,000 square feet.

The move into the California desert by Los Angeles-area DIY chains was pioneered by National Lumber, which opened in Cathedral City next to Palm Springs in 1982.

Earlier this spring, Builders Emporium moved into Cathedral City as well, marking its desert retailing debut.

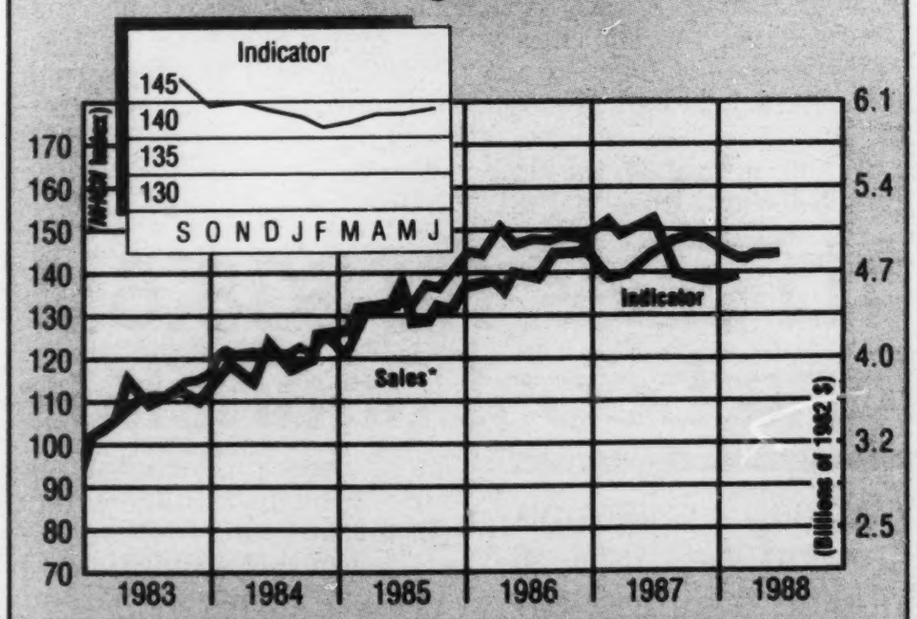
Pay 'N Pak files stock offering

KENT, Wash. — Pay 'N Pak Stores said it has filed with the Securities and Exchange Commission for a proposed offering of $110 million of senior subordinated debentures.

Net proceeds of the offering will be used to repay approximately $40.5 million of bank debt and $65 million of interim subordinated debentures. The interim debentures were issued in conjunction with the recent buyout of the 100-unit chain by its management.

Underwriter of the proposed offering is Goldman, Sachs & Co. The senior subordinated debentures are due in 1998.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in building materials sales in the second quarter due to weakness in single-unit housing starts and resales. The Business Watch column (page 77) highlights the revisions to regional retail building materials sales.

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Available for calls 9-5:30 (E.S.T.)

Hechinger joins Eagle's pilot program to order electronically

By an NHCN staff editor

LANDOVER, Md. — Hechinger has joined the Eagle ordering network in a pilot program to test the feasibility of ordering electronically, according to Ordernet Services, the Columbus, Ohio, firm managing the Eagle system.

Hechinger will begin its program by sending purchase orders to a selected number of vendors. Once the pilot program is complete, Hechinger will expand its program to accommodate additional trading partners. It also has plans to implement the invoice application once purchase orders are successfully under way.

The Eagle network, an electronic "mailbox" that allows vendors and retailers to send purchase orders and invoices to each other, currently has 280 to 300 companies participating in the program.

The addition of Hechinger, the 80-unit chain considered by many vendors and dealers to be on the cutting edge in merchandising systems, is something of a coup for Eagle, which has had trouble in the past attracting new members because of the lukewarm acceptance of the system by the retail community.

Ward White extends tender offer to buy A.G. Stanley Holdings plc

By John Caulfield

LONDON — Ward White extended its tender offer to purchase the 509-unit A.G. Stanley Holdings plc to June 3.

A conglomerate whose interests include the Payless DIY chain, England's third largest, and Builderama in Georgia, Ward White is interested in Stanley's "high street" or urban stores that go under the names FADS, Decor 8 and Home Charm. Ward White's Payless DIY chain has concentrated its growth primarily in suburban markets to this point, and the Stanley units have been deemed by Ward White officials as a "natural extension" of Payless.

> In the May 16 issue, *NHCN* reported erroneously that Ward White had acquired A.G. Stanley, when in fact it had made a hostile takeover bid for the firm. *NHCN* regrets the error.

Stanley also owns a wallpaper and paint factory which one Ward White official said his company would consider keeping.

Ward White owned 3.7 percent of Stanley's stock before making its bid and has gotten into a war of words with its prey, which has twice advised its shareholders that Ward White's $200 million-plus bid for the company's stock was "derisory and totally insufficient," said Peter Wood, Stanley's group retail director who spoke by telephone with *NHCN* on May 24.

Wood said there were "no negotiations" going on between the two firms, but indicated that less than 1 percent of Stanley's stockholders had offered to sell their shares (not all that unusual in the first round of British takeovers).

"It's really a cat and mouse game right now," Wood said.

(Continued on page 87)

Former Rickel exec vp named Pergament gmm

By an NHCN staff editor

MELVILLE, N.Y. — Will Vachon, former executive vp of Rickel Home Centers, has been hired at Pergament Home Centers as its general merchandise manager.

The Vachon hiring comes after almost a year to the day that he took early retirement from Rickel, South Plainfield, N.J., after being excluded from the management group that took Rickel's parent, Supermarkets General, private in a leveraged buyout.

Vachon, who had worked for Rickel for 31 years, was highly regarded for his expertise in advertising, marketing and merchandising, and had been serving as an industry consultant.

His background will serve Pergament well as the 42-unit chain continues its full-court press to make the penetration by others into its market unbearable.

Since the middle of the first quarter, Pergament has been advertising relentlessly on television, radio and newspapers throughout the New York region, particularly the Long Island area which has been dominated by the 40-plus-year-old chain.

Although company executives declined to return phone calls, it seems clear that the strategy behind the advertising blitz is to blunt the inroads by such invaders as Mr. Goodbuys and the imminent invasion of Hechinger and Home Depot.

In one TV spot that coincided with Mr. Goodbuys' first store opening on Long Island, Pergament warned its shoppers to be wary of others' claims that they are the lowest price in town.

"Five home centers can't have the lowest price," the voiceover says, implying that Pergament does.

The chain's newspaper ads hammer home this message by featuring "below-cost" prices on commodities, while another touts the chain's "lowest prices ever."

In another promotion for name recognition, Pergament has placed a billboard at Shea Stadium outside centerfield. The ad says that if a player hits the board with a home run, Pergament will paint the ballplayer's home.

N.J. supplier seeks control of P.G. Lewis

By an NHCN staff editor

AVENEL, N.J. — A New Jersey-based building supply wholesaler has notified the Securities and Exchange Commission (SEC) that it intends to acquire the "controlling interest" of the Palmer G. Lewis Co. (PGL), the Auburn, Wash.-based lumber wholesaler.

The move by Bradco Supply Corp. here comes after PGL had indicated its willingness to be taken over by Huttig Sash and Door Co., Chesterfield, Mo., a wholesale subsidiary of the New York conglomerate, the Crane Co., for $11 a share.

Both PGL and Huttig issued a joint announcement May 17 that a cash tender offer for all outstanding PGL common stock at $11 per share would begin immediately with the stipulation that Huttig acquires at least 2.7 million shares, or 67 percent of PGL common stock by June 17. Any

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Foreign and domestic buyers eye Lloyd chain

By Elizabeth Brent

DANBURY, Conn. — Both overseas and domestic buyers have shown interest in Lloyd Home and Building Centers, which was put up for sale by its parent company, American Maize Products, on April 6.

"The interest is rather active, particularly among domestic companies," said Dov Sadeh, senior vice president with Wright Investors Services, the Bridgeport, Conn., company which is handling the sale. He declined to identify what companies have expressed interest in the 34-unit chain.

However, the sale of the chain through a two-stage competitive process has been time consuming, and Sadeh does not expect an agreement to be reached until the end of July.

The company is currently reaching the end of the first stage, during which qualified interested parties who have signed an confidentiality agreement indicate their interest and a price range and are provided with certain financial data on the firm.

Under the second stage these parties will gain more information about the company, including access to stores and management.

Lloyd Home and Building Centers has had a troubled four years with losses estimated at $17.8 million.

Last year Lloyd embarked on a complete new merchandising and store renovation program under the leadership of president Tom Cawley. The program aimed at boosting margins and cutting company distribution and operating costs.

However, the chain lost $7 million on sales of $110.2 million in 1987 and the first quarter of 1988 was also disappointing.

"Although Lloyd Home and Building Centers began to show the positive effects of our restructuring programs, sales figures were still below our expectations," reported William Ziegler, chairman and chief executive officer in the company's first quarter statement.

American Maize is looking for buyers with the resources to "purchase and operate the business as an ongoing concern," according to its first quarter statement. Cawley stated that he remains "very positive" about the sale of his chain, the 36th largest in the home center industry in terms of volume.

"We believe that significant amount of work, effort and investment has gone into putting together a fine management team, with a large number of store managers, and a new generation of key personnel who expect to have future in this continuing operation," said Sadeh.

Levolor Lorentzen purchased by Dean Witter for $135 million

By an NHCN staff editor

PARSIPPANY, N.J. — Dean Witter Capital Corporation reached a definitive agreement to purchase Levolor Lorentzen, the window treatment supplier here, on May 20 for $135 million.

Dean Witter purchased 100 percent of Levolor's outstanding shares, valued at $83 million, in addition to a debt of $52 million.

This puts an end to the Lorentzen's family ownership which has lasted 70 years and the recent disputes between family stockholders.

Eric Lorentzen, chief executive officer at the time this article went to press, will be retained as chairman.

However, Dean Witter will appoint a new ceo and new chief operating officer within the next few weeks, according to Lorentzen.

Levolor has been without a president since January when John Kurtz left the company.

Dean Witter refused to comment on any changes it plans in the company or its management. It also declined comments on Levolor's sales, market share or future marketing plans.

There have been reports in the press that infighting among family members over shares instigated the sale of the company. The dispute centered on the 44 percent stake in the company held by the estate of H. Peter Lorentzen, one of the founder's three children.

"The family commentaries that have appeared in the press about the disagreement between the former wives of my brother Peter Lorentzen do not reflect upon the daily operations of the company, or the decision to sell the company, because the decision to sell was mine," said Eric Lorentzen.

"The company got into trouble due to the lack of strong financial controls over a period of eight years which finally took its toll, and now we are climbing out," said Lorentzen.

Levolor reportedly lost $14.9 million in 1987 with revenues of $259 million, according to *Home Furnishings Daily*. The privately held firm declined to reveal its financial data.

"In order to finance future growth and accelerate industry changes we needed more financial clout," Lorentzen said. "With higher levels of financing we would have the ability to react and grow the company quickly in a changing environment and expand the product base we carry."

The company, which manufactures custom and stock miniblinds, focuses more on specialty outlets and Sears than the home center market. It has lost market share in recent years to import vinyl miniblinds stocked by mass merchandisers.

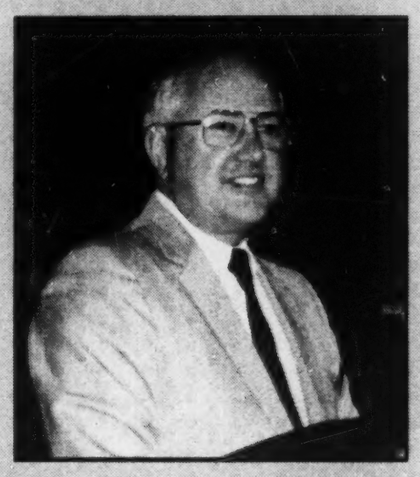
Levolor is not a major player in the home center market, according to Wayne Dickson merchandising manager with Newell Window Furnishings, who sees his company, Graber, Kirsch, Clopay, and Kenney as the major players.

However, Lorentzen told *NHCN* that his company's future strategy would include cultivating home centers to a greater extent, although he wasn't specific about what those plans would entail.

Dealers flock to top co-op buying shows in annual rite of spring

By an NHCN staff editor

NATIONAL REPORT — A 40th anniversary celebration, the announcement of higher commodity prices and the discovery that another co-op will conduct a January lumber and building show for its member-dealers were highlights of the month-long spring buying season for the nation's top hardware cooperatives.



Roger Peterson, president of Ace. NHCN photo

From the end of April through the middle of May, dealers from around the nation—and several dozen foreign retailers—came into Baltimore, Dallas, Chicago and Indianapolis to take advantage of "show special" pricing on a range of products, see new products and make purchases designed to carry dealers through Christmas.

Commodity manufacturers at Hardware Wholesalers Inc.'s (HWI) Indianapolis market the weekend of May 22 were announcing price hikes, with many rolling into effect just before the show or the first part of June.

Prices on gypsum board were expected to rise $6 to $10 per thousand, depending on locale of the retailer, and similar hikes were floated on roofing (up between 75 cents for roll to $1.50 per square for heavy shingle), 10 percent to 12 percent on exterior sheathing and 4 to 5 percent on roll in-

(Continued on page 86)

AHMA survey shows suppliers concerned with imports

By an NHCN staff editor

NATIONAL REPORT — Manufacturers expect to see their sales, in dollars and units, increase this year, and the majority think they'll be spending more on capital expenditures and manpower.

However, suppliers still harbor fears about the impact imported merchandise continues to have on their businesses. More than 8 in 10 manufacturers surveyed recently saw the price of imported hardlines being the main reason for their penetration into U.S. markets.

These are some of the key findings culled from a survey of more than 300 manufacturers, conducted last January by the American Hardware Manufacturers Association.

The suppliers responded in writing to 35 government-related questions. And the overall results, released by the AHMA in a book with more than 75 tables, "present a positive message for our industry," said Jack Kelleher, the association's communications manager.

Among the more optimistic findings for 1988 are the following: 90.4 percent of the respondents expected an increase in dollar sales volume and 88.8 percent expected an increase in unit sales.

More than half—57 percent—planned to increase plant equipment purchases; 51.7 percent planned to add new employees, and 60.7 percent forecast higher export sales.

Concern about imports remains a key issue for the hardware industry. More than three in five manufacturers polled felt that President Reagan's policies regarding foreign imports are too lenient. Over 85 percent believe the pricing of imports was a very important reason for the increase in import penetration in the domestic consumer hardlines industry.

Several other categories were frequently cited as "very important" reasons why imports are making such a strong penetration: unfair foreign trade practices, noncompetitive U.S. labor costs and the value of the U.S. dollar.

Not surprisingly, Taiwan, Korea and Japan were cited as the toughest foreign competition. Nearly 70 percent felt the U.S. Customs Service has been inadequately enforcing the law which requires imported finished products to be marked conspicuously with their country of origin.

When asked what measures they would recommend to reduce the federal budget deficit, the manufacturers, almost unanimously, noted they would reduce federal discretionary spending. About eight in 10 would cut back on entitlement programs and over three-fifths would reduce defense spending. About the same percentage would raise taxes selectively, a surprisingly high total given the generally conservative makeup of the association's membership.

Labor issues such as federally mandated health benefits are predicted to dominate legislative debate in 1988. More than half of those polled feared the prospect of having to provide mandatory health insurance. Over 70 percent noted that parental and disability leave and occupational disease notification were either very important or moderately important issues, and the same number were opposed to mandatory notice for plant closings.

The respondents' uproar about the federal government's proposed mandates for more worker benefits is a predictable reaction considering over 62 percent of the companies polled said their companies were nonunionized. Almost 90 percent of the companies expected an increase in direct employee wage costs, but presumably this would be offset by the predicted increase in sales volume.

Product liability remained a topical issue, as more than three in five respondents stated that their product liability

(Continued on page 88)

Reasons for the increase in import penetration in the domestic consumer hardlines industry.

	Very Important	Moderately Important	Not Important
Price	85.9%	13.4%	0.7%
Value of U.S. dollar	54.6	38.2	7.2
Quality	33.6	49.8	16.6
Noncompetitive U.S. labor costs	63.2	32.9	3.9
Consumer acceptance	52.1	40.6	7.3
Unfair foreign trade practices	51.5	38.6	9.9
Customer's lack of understanding of total procurement costs	28.7	39.2	32.1

Source: American Hardware Manufacturers Association 1988 Government Relations Survey. *NHCN* chart

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Circle 2 on Reader Service Card

Congress approves Federal ban on polygraph tests in workplace

By Deane Evans

WASHINGTON — Congress has approved a Federal ban on mandatory polygraph testing in the private sector workplace, effectively denying home centers the use of lie detectors to screen out dishonest employees.

While the final bill does include an exemption to allow testing in cases of ongoing investigation of "economic loss" due to theft, embezzlement or misappropriation in stores, all pre-employment screening of job applicants and "random" testing of employees has been outlawed for most retailers.

Furthermore, even the authorized use of polygraphs in theft investigations will be severely restricted by other provisions of the measure. Specifically, employers will have to inform any employee who is asked to take a lie detector test that it is voluntary. According to the bill, the exemption will not apply unless the examinee "is read and signs a written notice . . . that the examinee cannot be required to take the test as a condition of employment."

In addition, the bill prohibits testing "if there is sufficient written evidence by a physician" that the employee "is suffering from a medical or psychological condition or undergoing treatment that might cause abnormal responses" during the test.

'Reasonable notice'

The measure contains additional provisions to protect employees in pre-exam, actual test and post-test phases. The legislation will require that during the pre-test period the employee receive "reasonable notice" of the date, time and place of the test, be informed of the right to have counsel and be given written notice as to whether the testing area contains a two-way mirror, camera "or other device" for observing, recording or monitoring the test.

Employers will also be required to provide the prospective examinee with a written copy of all questions to be asked during the test and inform the employee that the test can be terminated at any time.

The legislation will prohibit certain inquiries during the actual test, including questions asked "in a manner designed to degrade, or needlessly intrude." Other unacceptable areas of questioning are political views, religious preferences, union activities, sexual behavior and beliefs about racial matters.

In the post-test period, employers will be required to provide the examinee with a written copy of any conclusion reached as a result of the polygraph test. Additionally, they must conduct a post-test interview "on the basis of the results of the test." The bill also restricts disclosure of the results of the test.

Under the enforcement provisions of the measure, any employer who violates the restrictions of the polygraph ban "may be assessed a civil penalty of not more than $10,000." The Secretary of Labor will also be empowered to bring an action to "restrain" further violations of the act. Moreover, the employer will be liable to the employee or job applicant for "equitable" relief, which could include reinstatement, promotion and payment of lost wages and benefits.

Corrections

A chart listing the leading hardlines wholesale co-ops in the May 30 issue erred in calculating the percentage changes in sales from 1986 to 1987. The correct percentages are:

Company	Sales Increase for 1987 (percent)
Cotter & Co.	6.9%
Ace Hardware	12.9
American Hardware Supply	23.5
Hardware Wholesalers Inc	13.0
CoastAmerica	5.4
Our Own Hardware	8.3
Handy Hardware Wholesale	6.8
Connecticut Hardware	15.0

NHCN chart

Due to a typographical error, Ace's stockkeeping unit totals for 1986 and 1987 are incorrect in the same chart. The co-op offers 39,000 skus.

A chart on log exports on the front page of the May 16 issue incorrectly indicated the figures were in millions of board feet, instead of billions.

In the same issue, the number of employees at Rickel Home Centers was incorrect. According to Rickel's controller John Henry, the chain employs 5,675 people.

In the April 18 issue, Price Pfister's 1987 sales of $117 million were misidentified as the company's net income.

Due to a copy editing error, an article in the May 30 issue referred to Eagle Electric as a contractor. Eagle is a full-line electricals manufacturer.

Keller names president of Furniture division

By an NHCN staff editor

MIAMI — Raymond P. Ramming, the former president of the casual furniture producer Almet/Lawnlite, has been named president and ceo of Keller Industries' Furniture division.

Joining Ramming from Almet is Donald D Corning, who was named executive vp of the Keller division.

In announcing the appointments, Keller Industries' chairman Hugh Williamson explained in a prepared statement they were part of its firm's overall corporate growth strategy to increase Keller's market position in the casual furniture category.

Ramming spent 14 years at Almet, and served as president since 1982. Corning served in several capacities at Almet since 1979.

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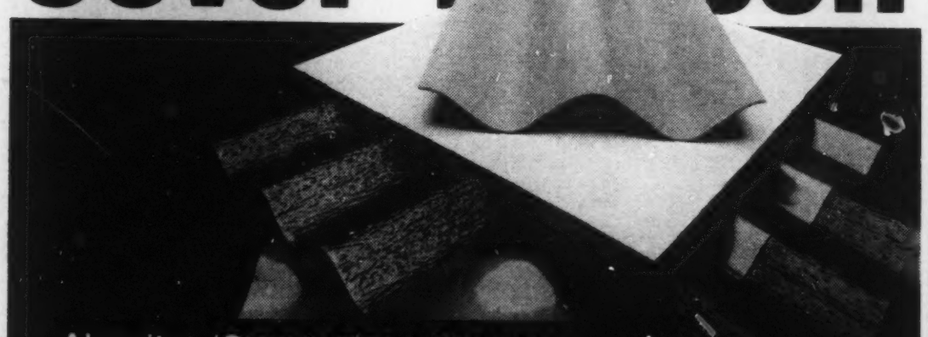

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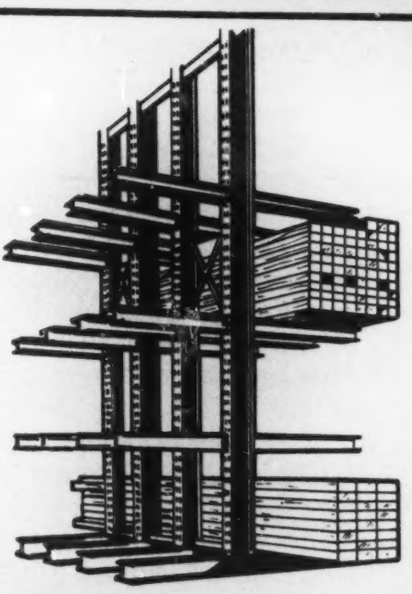

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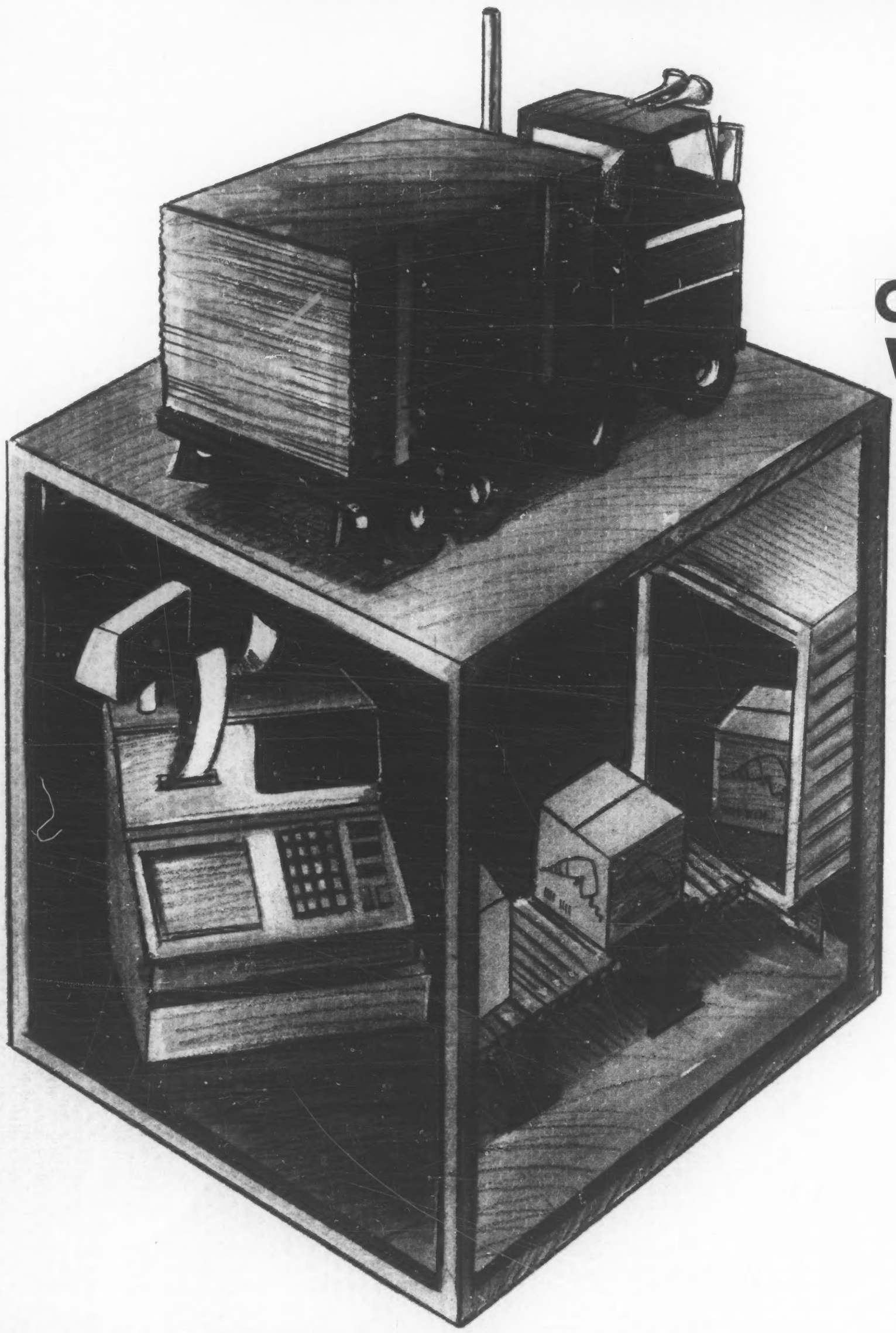
Perspectives

Section 2

The *NHCN* Annual Report on the Home Center Industry



PART THREE: THE TOP COMMODITIES WHOLESALERS

The volatility of commodities pricing has made home improvement dealers more leery about making major commitments to inventory for their stores. Consequently, more dealers have come to rely on building materials distributors to keep their stores well stocked and to rein in the cost of goods sold.

The 50 largest distributors were able to increase their sales to dealers by 12.6 percent in 1987, to more than $15.3 billion, an indication of their growing importance. In addition, building materials buying groups saw their aggregate volume increase 12.3 percent, to $2.46 billion.

LBM distributors face a market driven less by housing 20

Co-ops move from mere order taking to market hunting 22

California leads the pack in projections for commodities sales 26

Perspectives

TOP BUILDING MATERIALS WHOLESALERS

Company	Mil. $ Sales '87	Mil. $ Sales '86	% Chng	DCs	Retail Customers '87	Retail Customers '86	% Sales DIY '87	% Sales DIY '86	Employees '87	Employees '86
Georgia-Pacific *Atlanta*	4,300	4,000	8	153	40,000	39,000	NA	NA	4,400	4,400
Weyerhaeuser *Tacoma, Wash.*	3,200	2,600	23	63	30,000	NA	40	NA	1,286	1,250
North Pacific Lumber *Portland, Ore.*	566	529	7	25	7,000	NA	50	NA	366	337
MacMillan Bloedel Building Materials *Atlanta*	400	350	14	17	6,000	5,000	40	40	302	275
Universal Forest Products *Grand Rapids, Mich.*	356	250	42	20	90	90	40	40	1,566	1,271
Huttig Sash & Door *Chesterfield, Mo.*	351	277	27	43	8,000	NA	85	85	1,850	1,780
Ply-Gem Industries *New York*	313	226	38	30	2,200	2,000	NA	NA	1,700	1,700
Owens-Corning Fiberglas Supply *Toledo, Ohio*	304	304	0	20	NA	NA	NA	NA	NA	NA
Pacific Coast Building Products *Sacramento, Calif.*	300	300	0	53	NA	NA	50	NA	2,000	NA
International Paper *Memphis, Tenn*	300†	300†	0	21	NA	NA	NA	NA	NA	NA
Morgan Distribution *Mechanicsburg, Pa.*	281	259	8	11	4,500	4,200	95	95	887	864
Allied Building Products *East Rutherford, N.J.*	281	240	17	34	15,000	NA	50	40	1,000	873
Sequoia Supply *Irvine, Calif.*	275	260	6	33	NA	NA	25	22	750	750
Furman Lumber *Boston*	250	238*	5	14	6,000	3,000	40	40	400	195
Adam Wholesalers *Cincinnati*	242	142	70	11	3,500	NA	33	NA	800	750
Boise Cascade *Boise, Idaho*	238†	231	3	9	NA	NA	NA	NA	NA	NA
Palmer G. Lewis *Auburn, Wash.*	217	187	16	15	NA	NA	70	70	500	NA
Cascade Empire *Portland, Ore.*	173	142	22	3	775	700	70	70	62	52
ABC Supply *Beloit, Wis.*	170	218	−22	57	34,000	28,000	21	20	607	605
Green Forest Lumber *Toronto*	150‡	151‡	−0.6	4	300	300	94	94	125	125
Western International Forest Products *Portland, Ore.*	140	130	8	14	1,200	1,100	30	30	90	83
Bunzl Building Material Services *Indianapolis*	140	120	17	25	6,000	3,000	80	60	375	175
Hager Group *Grand Rapids, Mich.*	140	120	17	15	4,000	4,000	75	75	510	490
Roberts & Dybdahl *Des Moines, Iowa*	138	102	35	12	1,500	1,400	100	100	200	180
Rivendell Forest Products *Englewood, Colo.*	130	120	8	6	350	300	90	85	52	50
Apex Supply *Atlanta*	105	95	11	15	NA	NA	NA	NA	400	400
Addison Corp. *Atlanta*	100	100	0	15	3,000	2,500	95	95	600	400
Sherwood Lumber *Roslyn, N.Y.*	100	70	43	16	520	300	70	70	30	12
Iron City Sash & Door *Pittsburgh*	95	90	6	5	1,500	1,500	50	50	300	300
Babcock Lumber *Pittsburgh*	93	75	24	6	1,500	1,500	60	60	350	325
Lawrence McCoy *Worcester, Mass.*	90	73	23	35	1,500	1,500	75	75	67	65
Cameron Wholesale *Waco, Texas*	85	102	−17	14	2,500	2,500	75	75	400	500
Futter Lumber *Rockville Center, N.Y*	84	62	35	5	372	350	100	100	19	20
Sabbeth Industries *Deer Park, N.Y.*	82	77	6	7	3,000	3,000	50	50	200	200
Empire Wholesale Lumber *Akron, Ohio*	82	70	17	2	600	600	35	35	70	63
Ajayem Lumber *Walden, N.Y.*	80	73	10	4	NA	NA	35	35	130	NA
DJ Inc.** *Brattleboro, Vt.*	80	63	27	5	1,200	1,200	80	80	157	NA
Plunkett-Webster *New Rochelle, N.Y.*	75†	70†	7	4	NA	NA	NA	NA	NA	NA
Diamond Hill Plywood *Darlington, S.C.*	70	65	8	10	3,000	3,000	8	7	175	170
Snavely Forest Products *Pittsburgh*	70	65	8	5	5,000	5,000	85	90	105	95
Kelleher Lumber *San Rafael, Calif.*	68	68	0	4	NA	NA	NA	NA	110	NA
Prudential Metal Supply *East Dedham, Mass.*	67	58	16	7	1,000	1,000	NA	NA	150	150
Stanline Inc. *Norwalk, Calif.*	65	60	8	4	2,500	2,500	NA	NA	130	120
A.P.I. Supply *Tampa, Fla.*	60	60	0	5	1,200	1,200	95	95	180	180
Mid-State Lumber *Branchburg, N.J.*	60	49	22	3	560	476	100	100	51	46
Booker & Co. *Minneapolis*	60	40	50	4	1,000	800	15	10	100	60
Louisiana-Pacific *Portland, Ore.*	55	70	−21	10	NA	NA	NA	NA	NA	NA
Hearin Forest Industries *Portland, Ore.*	52	52	0	1	NA	NA	NA	NA	38	38
Redwood Empire *Morgan Hill, Calif.*	52	50	4	3	750	NA	85	NA	150	110
Slaughter Brothers *Dallas*	50	60	−17	8	320	350	10	NA	140	180
Spartanburg Forest Products *Spartanburg, S.C.*	50	50	0	2	20	20	70	70	85	85
Dallas Wholesale Builders Supply *Dallas*	50	50	0	1	1,100	650	40	40	131	100
Totals and Averages	**15,335**	**13,613**	**(12.6)**							

*incorporates acquisition of U.S. Plywood **was acquired by Bunzl Building Material Service in March 1988 †*NHCN* estimate
‡calculated in U.S. currency; $1 U.S. = $1.24 Canadian

Source: *NHCN* research

NHCN chart

LBM distributors face market driven less by housing

By NHCN staff

NATIONAL REPORT — Lumber and building materials distributors in 1987 recognized the same trend that lumber producers discovered: The sale of their products is less dependent on new housing starts.

The top 50 commodities distributors listed by *NHCN* this year increased their aggregate volume by 12.6 percent, to $15.3 billion. And from industry leader Georgia-Pacific to family-run distributors, the repair and remodeling market and light industrial construction commanded a larger share of their companies' products.

Wholesaler executives said the strongest sign to them that the market changed was the kind of orders retailers made. They stressed higher grades of lumber and mixed-load shipments, both obvious signs of more material for remodeling and repair. As if reading from the same script, wholesale executives noted:

- "Customers really want better grades and a quality mix," said Aaron Modansky, president of Ajayem Lumber Corp. in Walden, N.Y. "There is a glut of lower grades and a demand for clear."
- "At one time, home centers were not too concerned about quality," said Darryl Bishop, manager of Slaughter Brothers' distribution center in Dallas. "But now the Home Depots, the Payless Cashways are quite quality conscious and the old-line lumberyards seem to have swung the other way."
- "Quality products and timely delivery have always been important to us," said Don Griffin, regional manager for ABC Dealer Supply Co., a drywall, roofing and siding distributor in Beloit, Wis. "Sixty percent of our business comes from retrofitting. Only gypsum seems to be construction oriented."

Diversified millwork wholesalers have also noticed the trend.

"There's certainly a trend to higher quality goods," said John Howard, vp of sales for Bunzl Building Material Service, Indianapolis, a company whose product mix includes such items as specialty millwork, caulks and adhesives. "Wood entry doors are selling for $1,200."

With housing starts off 11 percent in 1987, some lumber and building materials wholesale executives suggested that the increasing demand for products in the repair and remodeling market is forcing some to change operationally.

Indeed, distributors have found that modifications in their marketing and product mix are imperative in order to retain profitability in markets where sales of their merchandise could be softening in 1988.

"Last year was the seventh straight year of [sales] expansion for us, and I kind of believe we've peaked," said Richard Kasper, president of Amerhart Ltd. in Green Bay, Wis.

These changes include severing ties with mills that are unwilling or incapable of delivering good quality on time; requiring distribution yard personnel to double check bandings and packaging; improving their computers to accommodate mix-load orders and going into retail store to train employees.

Executives at other companies said the ability to send quality, mixed-loads is paramount.

"Right now we can send 10 to 15 lengths and sizes on one truck," said Michael P. Sereny, secretary and director of the Green Forest Lumber Corp., a Toronto-based wholesaler whose clients include the industry's largest retail buying co-ops., "You have to do that because it reduces inventory levels for retailers.

"But you also have to guarantee the ability to deliver not a single unit of discolored lumber. Not one board of weather-beaten stock."

Ted Buzalski, secretary-treasurer of the Hager Group, Grand Rapids, Mich., said his company is moving beyond its traditional lines of treated lumber and trusses towards such consumer items as lattice work, picnic tables and mail box posts.

But not everyone in the lumber and building materials distribution is convinced that the repair and remodeling market is consuming a larger portion of the industry's products.

Stuart Wells, president of Huttig Sash and Door Co., Chesterfield, Mo., a diversified millwork supplier whose sales jumped 21 percent in 1987, to $351 million, said it is difficult to tell how much of his company's sales gain is attributable to repair and remodeling.

(Continued on page 21)

Commodities distributors set sights on retail markets

(Continued from page 20)

"It's not that I dispute it. But it is almost impossible to determine the end-use of a door or window once we ship it to a retailer." He estimated that three-fifths of his company's products end up at new construction sites.

Another dissenter is Bob Heil, vp of building products for Babcock Lumber Co., Pittsburgh. Heil said it was vital that wholesalers continue to supply quality lumber products to the market, but the problem is that consumers aren't convinced that they need it. Therefore, lower grades continue to predominate in retail outlets.

Increasing competition

Regardless of the market that consumes their products, wholesale executives tended to describe their industry as increasingly competitive, where low margins and finicky retailers make everyday a challenging one. In addition, the growing clout of the buying co-op groups—including the hardware co-ops which have diversified into commodities distribution—is also pressuring the independent wholesale supplier to stay competitive and service oriented.

That the market is competitive from a composition view was evident in examining the industry's sales activity of the top 50 lumber and building material wholesalers. Georgia-Pacific and Weyerhaeuser accounted for 48 percent of total volume among the top 50 firms listed. In fact, Weyerhaeuser and Georgia-Pacific are the only distributors whose sales exceed $1 billion last year.

The next largest in sales is North Pacific Lumber in Portland, Ore., at $566 million. Adam Wholesalers in Cincinnati enjoyed the highest percentage sale increase—70 percent—to $242 million, followed by Universal Forest Products, whose volume grew 42 percent, to $356 million.

But most of the industry has its competitive eye on Bunzl, which went on an acquisition spree in 1987 that has continued into this year with its purchase of Stanline in California and DJ Inc. in Vermont. These two distributors did a total of $145 million in sales last year.

> "At one time, home centers were not too concerned about quality. But now the Home Depots, the Payless Cashways are quite quality conscious and the old-line lumberyards seem to have swung the other way."
>
> —**Darryl Bishop,** *manager, Slaughter Brothers*

Company	Sales (in $mil) 1987	Sales (in $mil) 1986	DCs	Retail customers 1987	Retail customers 1986	Employees 1987	Employees 1986
Grip-Rite International *White Plains, N.Y.*	206	180	16	15,000	15,000	300	300
Allied International *Janesville, Wis.*	69	69	4	1,500	1,500	300	300

NHCN research and chart

The listing of the industry's largest full line hardlines wholesalers appearing in the May 30 issue inadvertently left off the above two distributors.

Co-ops grow from mere order takers to market hunters

By John Caulfield

NATIONAL REPORT—The eight leading building materials buying groups increased their sales to affiliated dealers by 12.3 percent to $2.46 billion in 1987, and aggregate dealer count by 5.5 percent to 3,785 units.

Most of the buying groups' executives reported that higher sales and profitability came from improved service to dealers in the form of better delivery, quicker communication about ordering and billing and the implementation of more aggressive marketing tactics.

"We've basically gone from an order-taking organization to one that goes out into the market to get business," said Brent Pobanz, general manager for Central Builders Supply, the Sturgis, Mich.-based co-op whose sales grew 13 percent to $252 million last year.

Part of CBS's market strategy has taken the form of adding new managers to run its divisions. In the past year, the buying group has hired a new lumber director, Steve Boone; has developed a new gypsum department under the direction of Jim Braxton; and has brought on a new management systems director, Steve Olmstead, and new specialty building materials director, Gary Smith.

Philadelphia Reserve, based in Croydon, Pa., opened its first buying office in Greensboro, N.C., this January specifically for its dealers to purchase Southern yellow pine.

"It's not a warehouse," said Frank Dalinski, president of the co-op which already operates two DCs that stock 2,500 stockkeeping units. "It's part of the better service we're giving our members," about 50 percent of whom are currently buying through this new office.

Philadelphia is also in the process of building a new, 18,000-square-foot corporate office complex that is scheduled for completion this September.

On a more mundane but no less important level, more co-ops have made internal refinements in their inventory management and are now providing their dealers with facsimile machines for lightning-fast ordering and billing capabilities and to disseminate product and other information quickly throughout their network.

Allied Building Stores in Louisiana did a line-by-line assessment of all 4,500 stockkeeping units it offers out of its 65,000-square-foot warehouse to determine what mix would be more profitable for its customers.

As a result, the co-op—whose members operate in the still-depressed Oil Patch—achieved record profitability in 1987, according to Allied's president Laddie Woods.

Progressive Affiliated Lumbermen (PAL), the Grand Rapids, Mich.-based buying group that enjoyed the highest percentage sales gain of the eight firms tracked last year, has been selling FAX machines, interest-free, to its dealers. Seventy-five percent of its dealers now use them, according to PAL's president Bill Danzig.

But improved services and controls weren't the only reason buying groups were successful in 1987. Many have expanded their businesses by throwing their net out to capture predominantly hardlines dealers. For instance, a few years ago PAL struck an agreement with L. G. Cook, the hardlines wholesaler, to supply Cook's dealers with commodities. Danzig said that since this arrangement was made, "we've seen an average of 23 percent to 24 percent more business each year" from dealers buying through Cook.

Sources familiar with the company report that Lumbermen Merchandising Corp. (ELMCO), the Wayne, Pa.-based building materials buying group that is the industry's largest, is working with Decatur-Hopkins, the Taunton, Mass.-based hardlines wholesaler. (ELMCO officials declined to comment on this.)

The best known example of this cross fertilization occurred when Builder Marts of America, the Greenville, S.C., dealer services group, agreed to begin purchasing commodities for the franchised dealers serviced by CoastAmerica, the Denver-based buying group.

"We would expect the Coast arrangement to have a significant impact on our sales in 1989," said Paul Dodge, president of BMA's dealer division.

The Coast deal came at an auspicious time for BMA, as it lost some sales from the spinoff of Jim White Lumber Co., a wholesale firm that partly went to the A.C. Dutton Co. in Florida and to White's management in Michigan.

Nevertheless, BMA was able to increase its dealer count by 125 units to 1,850, no doubt propelled by new business from Coast to Coast dealers.

One of the reasons these co-ops are turning to hardlines dealers for business is that finding new ways to expand with existing dealers has been tougher than usual, since the commodities market has softened a bit in recent months due to the dropoff in home building nationwide.

In addition, the hardlines co-ops have made great strides in developing commodities distribution programs of their own and have become a major threat to building materials buying groups.

"These hardware guys are really after our membership, and that's going to get more competitive," said Bill Sherry, president of ENAP, the Newburgh, N.Y.-based co-op whose sales rose 22 percent in 1987, to $239 million.

To counter this new competitive thrust, ENAP hired a new field sales representative, Paul Smith, to drum up new membership.

The co-ops are hoping that the addition of new dealers will offset the weakness in sales of building materials used for home construction.

"Things were kind of drifting down in late 1987; the market is overbuilt and prices have softened," noted Robert Matthews, executive vp for Independent Builders Supply Association, based in Smithfield, N.C.

However, Matthews echoed the surprising optimism that was expressed by the co-ops' executives about 1988. "We really can't complain because business is still pretty good."

"January and February were off, but March was pretty good and April was above last year," added BMA's Dodge. "We think we've turned the corner, but 1988 will be a competitive year."

Building Materials Co-op Listing

Company	Sales Mil. $ 1987	Sales Mil. $ (%)	Sales Mil. $ 1986	% LBM 1987	% LBM 1986	No. dealers 1987	No. dealers 1986	% of sales from HCs 1987	% of sales from HCs 1986	employees 1987	employees 1986
Lumbermen's Merchandising Corp.*	920	(15.0)	800	80	80	600	575	45	45	130	130
Builder Marts of America**	500	(0.0)	500	80	75	1,850	1,725	13	10	199	197
Central Builders Supply	252	(13.0)	223	100	100	525	508	80	80	50	45
ENAP	239	(24.5)	192	100	100	145	127	60	60	60	42
Allied Building Stores†	138	(5.3)	131	80	80	160	160	40	25	50	50
Progressive Affiliated Lumbermen	162	(24.6)	130	100	100	216	213	100	100	22	18
Philadelphia Reserve Supply†	160	(23.1)	130	90	90	189	186	80	70	42	42
Independent Builders Supply Association	89	(4.7)	85	85	85	100	93	65	65	11	11
Totals and Averages	**2,460**	**(12.3)**	**2,191**	**89**	**88**	**3,785**	**3,587**	**60**	**57**	**564**	**535**

*NHCN estimate
**BMA is employee owned. Sales in 1986 and 1987 have been adjusted to reflect the spinoff of the Jim White Lumber Co. (see story)
†These buying groups have warehouse/distribution facilities. The others do not.

NHCN chart

Perspectives

census/commodities

NBMDA says industry still strong despite 'warning flags'

By an NHCN staff editor

NATIONAL REPORT — Building material distributors were reasonably successful in 1986, with sales increasing by 12.1 percent.

And it appears that larger commodities distributors, which experienced a faster sales growth rate over the past 10 years than smaller wholesalers, have come to rely more heavily on direct shipment of products to spur their volume gains.

The above findings are included in a report entitled "Performance Analysis Trends" for the years 1977 to 1987, sponsored by the National Building Materials Distributors Association (NBMDA).

The report is based on a survey conducted by Management Foresight, the Columbus, Ohio based-research firm, for the NBMDA in 1986. In all, 78 member firms, whose sales total $1.2 billion, responded to the survey.

The study showed that the industry grew strongly and was able to achieve a good return on net worth, increasing 10.57 percent above the previous year, its best performance since 1979. However, wholesalers saw their net profit margin decline for the third straight year to only 0.96 percent in 1986. This, plus their below average return on assets and increasing reliance on debt financing, raise "cautionary flags" about the future.

The report expressed concern that the aggregate return on assets among the respondents was up to only 3.76 percent in 1986, well below the 1983 and 1984 levels.

Net profit margin on sales was so marginal because overall gross profit margins declined more rapidly than operating expenses.

"The industry is beginning to look more and more like a supermarket [industry] with very thin profit margins and high asset turnovers. You can't compensate for a zero profit no matter how fast you turn your assets," wrote Dr. Peter L. Mullins of Management Foresight in the report.

The firms in the study reported that their direct shipments, as a portion of total distribution, have generally been around 16 percent over the past decade. However, the survey reported that "the weighted average direct sales percentage has been in the 25 to 30 percent range. This indicates that the larger firms in the survey rely more heavily on direct sales."

The study noted that larger firms in the industry grew about 1.6 percentage points faster in 1986 than did smaller firms, to which direct shipment no doubt contributed.

The industry's total asset turnover reached a 10-year high at 3.55 times in 1986. This is probably as much an indicator of the continuing pressure on profit margins as anything. Managers are exploring every avenue to compensate for declining profit margins.

Inventory remains the largest asset of most building material distributors, and the average firm had 43 percent of its total assets invested in inventory in 1986.

The survey's respondents had their best record of accounts receivable in several years, with a 1986 level of 38.5 days, a shorter collection period than is typical for most wholesale distributors.

The major reason the industry was able to achieve an above average return on net worth last year was its increased reliance on debt financing. The financial leverage multiplier increased from 2.43 times in 1985 to 2.56 times in 1986, probably an all time high, the study said.

> "The industry is beginning to look more like a supermarket, with very thin profit margins and high asset turnovers."
>
> — Dr. Peter L. Mullins, *Management Foresight*

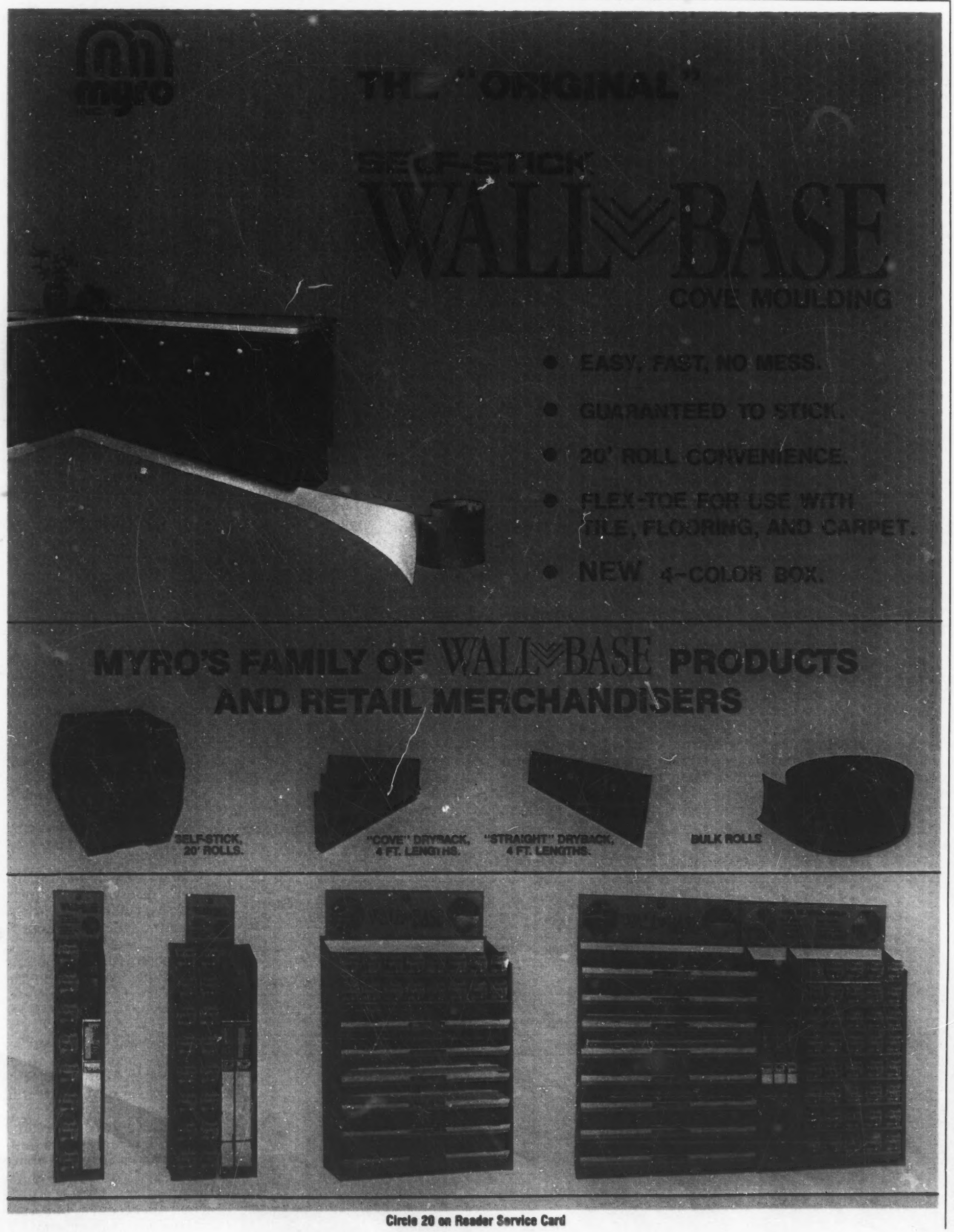
Overall industry growth has remained above the consumer price index (CPI) for the last 10 years, indicating a strong performance. The CPI increased by 6.63 percent per year between 1976 and 1986 compared with building material distribution sales, which increased by a compound annual rate of 9 to 10 percent.

The largest companies grew faster than the smaller ones, with a greater return on investment (ROI).

The report showed a shift in customer base over the last 10 years. The single unit lumberyard and hardware store has steadily increased in importance to represent nearly 55 percent of all the distributors' customers. Sales to retail chains and mass merchandisers have declined.

Sales to contractors, builders and applicators were the lowest for 10 years. These represented only 18.6 percent of the respondents' total customer/sales mix, compared to nearly 24 percent in 1979 and 26 percent in 1983.

Roofing and siding sales have increased to represent 22 percent of total sales in 1986, while lumber and plywood have declined from their former 30 percent high to only 20 percent. Insulation sales have fallen still farther, to only 6 percent of total industry sales.



Circle 20 on Reader Service Card

Perspectives

census/commodities

National retail market picture shows signs of change

By an NHCN staff editor

NATIONAL REPORT — The retail sales of hardware and building materials are expected to grow at a 6.7 percent rate this year, and California will, by far, continue to be the nation's largest market for these products.

However, according to data tabulated by *Editor & Publisher* magazine, it appears some traditionally strong markets for these items are beginning to tail off, with other cities and metropolitan areas emerging as the new growth pockets.

All told, $97.1 billion worth of hardlines and building materials are projected to be sold at retail in 1988. Thirty one states will have more than $1 billion in sales, with California over the $10 billion mark for the first time.

The top 50 metro markets will account for 41 percent of total retail sales, about the same percentage as in 1987. Despite its economic woes, home improvement sales in Texas continue to thrive, according to *E&P* data, as they do in fast-growing Florida and in New York.

Interestingly, states where economic times have been better are expected to have robust home improvement sales gains this year. For example, Utah—where home building is virtually nonexistent these days—is projected to enjoy 11 percent sales increases. Iowa, where farm-related businesses continue to be hurting, is expected to increase its sales of home improvement products by 16 percent, the highest percentage gain in the country.

Conversely, Massachusetts, Rhode Island and Connecticut, where unemployment is around 3 percent and home building has been booming, will experience only modest sales growth in these products.

That sales of home improvement products in Massachusetts and Connecticut will expand by only 2 and 3 percent, respectively, in 1988 is surprising, given *E&P's* estimate that the metropolitan area of Boston will expand its hardlines and commodities sales by 24.5 percent and Hartford, Conn.'s, market for these products will grow by 26 percent.

Indeed, it does not appear that the growth—or lack thereof—in metro areas or states is as closely correlated as it once was. For instance, New York's sales are projected to increase 9 percent, but Nassau-Suffolk, N.Y., is expected to see retail home improvement sales rise only 0.6 percent, despite the expansion into this market by Mr. Goodbuys, Home Depot, and Hechinger and the marketing blitz currently being executed by Pergament Home Centers there.

The Dallas-Fort Worth-Arlington market's percentage growth will be considerably less than Texas' as a whole.

And traditionally strong markets such as Minneapolis-St. Paul and Riverside-San Bernardino, Calif., are expected to have sales declines in these items.

What this could mean is that the retail sales growth for states has moved beyond the bigger cities into secondary markets where many home centers are now targeting their own store expansion.

Projection of Building Material and Hardware Retail Sales

States	1987 Bldg Mat'ls Sales Volume $ Mil.	1988 Bldg Mat'ls Sales Volume $ Mil.	% Change
California	$9,997,757	$10,791,437	7
Texas	7,509,681	8,186,329	8
Florida	5,162,129	5,650,467	9
New York	4,582,843	5,035,120	9
Illinois	3,618,849	3,840,915	6
Pennsylvania	3,612,726	3,764,572	4
Ohio	3,251,940	3,304,288	2
Michigan	2,910,076	3,228,616	10
North Carolina	2,986,589	3,008,706	1
Georgia	2,513,539	2,687,019	6
New Jersey	2,531,165	2,666,903	5
Massachusetts	2,312,185	2,367,428	2
Minnesota	2,319,704	2,359,060	2
Virginia	1,992,567	2,171,252	8
Indiana	1,935,689	2,106,810	8
Missouri	1,884,267	2,074,472	9
Louisiana	1,811,675	2,062,052	12
Washington	1,875,296	2,037,892	8
Wisconsin	1,835,569	1,912,585	4
Colorado	1,716,211	1,888,142	9
Tennessee	1,592,722	1,647,776	3
Maryland	1,486,190	1,514,491	2
Oklahoma	1,433,516	1,504,480	5
Arizona	1,438,382	1,491,799	4
Iowa	1,216,762	1,440,189	16
South Carolina	1,351,933	1,427,049	5
Alabama	1,305,816	1,393,991	6
Kentucky	1,271,250	1,330,516	4
Connecticut	1,283,859	1,322,763	3
Kansas	1,008,600	1,167,170	14
Oregon	922,787	1,019,000	9
Arkansas	841,886	902,357	7
Mississippi	847,374	854,168	1
Nebraska	708,287	827,001	14
New Mexico	712,666	770,792	8
West Virginia	667,297	763,813	13
New Hampshire	694,703	744,458	7
Utah	656,632	735,398	11
Alaska	633,406	638,160	1
Maine	586,375	600,681	2
Nevada	510,584	546,948	7
Montana	404,342	482,538	16
Idaho	427,215	471,813	9
North Dakota	406,991	423,181	4
South Dakota	339,656	368,370	8
Vermont	340,854	346,453	2
Rhode Island	320,001	332,005	4
Wyoming	305,203	324,820	6
Delaware	278,697	308,184	10
Hawaii	261,098	288,159	9
Totals	90.6 billion	97.1 billion	7

Source: *Editor and Publisher* estimates

NHCN chart

Top Metropolitan Markets Building Materials and Hardware Retail Sales

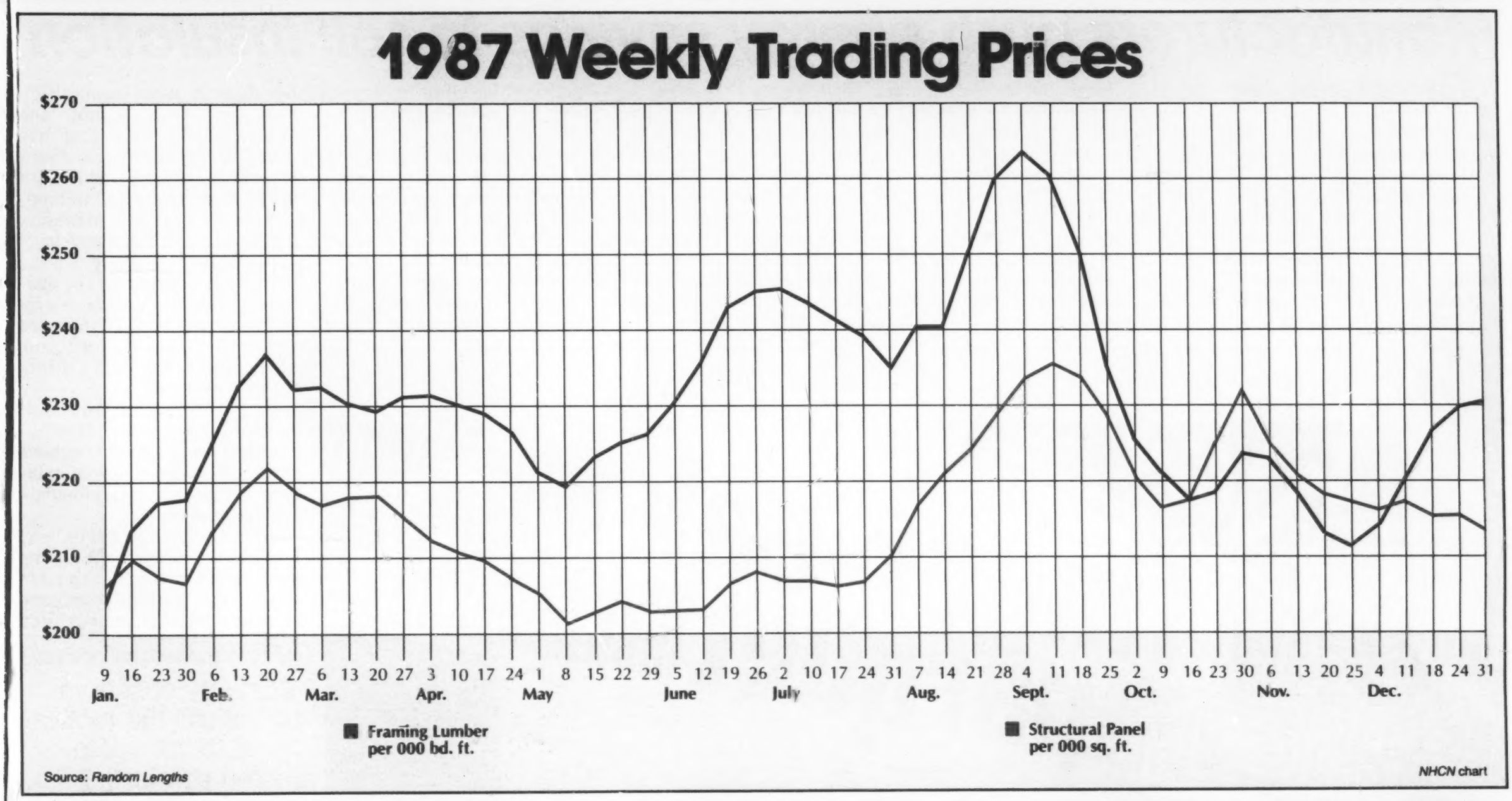
Metro Area	1987 Bldg Mat'ls Sales Volume $ Mil.	1988 Bldg Mat'ls Sales Volume $ Mil.	% Change
Los Angeles	$2,290.5	$2,594.3	11.7
Chicago	1,667.3	1,760.6	5.3
Houston	1,283.8	1,621.8	20.8
New York	1,315.2	1,574.3	16.5
Boston	1,149.6	1,521.8	24.5
Philadelphia	1,433.7	1,441.9	0.6
Atlanta	1,320.2	1,376.9	4.1
Detroit	1,191.6	1,306.5	8.8
Nassau-Suffolk, N.Y.	1,182.6	1,190.2	0.6
Washington D.C.	1,099.6	1,172.2	6.2
Anaheim/Santa Anna, Calif.	1,008.1	1,148.7	12.2
Minneapolis/St. Paul, Minn.	1,169.7	1,138.7	– 2.7
Dallas	1,056.7	1,113.3	5.1
St. Louis	901.1	943.5	4.5
Phoenix	887.6	911.0	2.6
Riverside/San Bernardino, Calif.	911.1	898.9	– 1.4
Denver	785.6	880.0	10.7
Tampa/St. Petersburg, Fla.	788.3	841.1	6.3
Seattle	778.0	838.6	7.2
Oakland, Calif.	731.3	765.9	4.5
San Diego	800.1	760.3	– 5.2
Baltimore	708.2	713.3	0.7
San Jose, Calif.	555.5	665.0	16.5
Pittsburgh	555.9	633.5	12.2
Miami/Hialeah, Fla.	473.4	622.8	24.0
Sacramento	600.6	619.8	3.1
Newark, N.J.	576.8	607.1	5.0
San Francisco	528.2	603.1	12.4
Oklahoma City	517.4	571.6	9.5
Ft. Worth/Arlington, Texas	576.8	561.5	– 2.7
Kansas City, Mo.	548.7	560.1	2.0
Austin, Texas	559.0	550.1	– 1.6
San Antonio, Texas	536.2	544.9	1.6
Orlando, Fla.	512.5	542.3	5.5
Charlotte, N.C.	472.3	495.1	4.6
Bergen-Passaic, N.J.	459.6	490.4	6.3
Ft. Lauderdale/Hollywood, Fla.	429.7	483.0	11.0
Cleveland	487.4	479.2	– 1.7
Indianapolis	418.6	467.3	10.4
New Orleans	398.8	461.8	13.6
Salt Lake City	406.4	454.1	10.5
Cincinnati	448.3	451.2	0.6
Norfolk/Virginia Beach, Va.	411.7	451.1	8.7
Columbus, Ohio	422.8	424.0	0.3
Hartford, Conn.	311.7	421.5	26.0
Milwaukee	407.2	411.2	1.0
Monmouth-Ocean, N.J.	391.3	393.1	0.5
Anchorage, Alaska	360.5	386.0	6.6
Portland, Ore.	342.4	338.5	– 1.2
Totals	37,170	40,203	7.5

Source: *Editor and Publisher* estimates

NHCN chart

Perspectives

census/commodities



Source: *Random Lengths* NHCN chart

New housing no longer driving force in LBM production

A short blurb in Georgia-Pacific's 1987 Annual Review said it best. It was a comment that was germane to G-P but in a larger sense it characterized the momentum of an industry.

"New housing is no longer the driving force behind Georgia-Pacific's building products," the statement read. The statement went on to say that home improvement markets and industrial accounts "offset the decline in new residential construction" for the company's products.

What G-P and other industry observers acknowledged by the time 1987 ended was that the time-honored relationship between lumber consumption and new housing starts was no longer written in stone.

In a year that witnessed the third consecutive annual production record in North American lumber, by more than 60 billion board feet, the repair and remodeling market, exports and industrial end uses outstripped that of housing.

Of the 50.3 billion board feet of lumber consumed in the U.S. last year, more than 15.1 billion went to the repair and remodeling market, according to the Western Wood Products Association (WWPA). The WWPA, however, expects demand in the repair and remodeling market to increase slightly in 1988.

The American Plywood Association reported that nearly a third of all structural panel products produced last year, some 4.3 billion square feet, were consumed in the repair and remodeling market. This sector is expected to grow to 4.4 billion this year.

The rise in production was also accompanied by some of the highest trading prices. Not since 1983 has *Random Lengths*' framing lumber composite hit the levels it reached last year.

During a three week period between August and September, *Random Lengths* framing lumber composite rose $10 a thousand board feet before capping out at $263 a thousand board feet. Prices had not been that high since May 1983, when the composite hit $266 a thousand board feet.

In 1986, the highest the composite rose was $240 in mid-April. Analyst attributed the high price levels in 1987 to strong demand, the absorption of the 15 percent Canadian tariff and record-setting exports to overseas markets, especially Japan.

Among the lumber products that played a pivotal role in the industry's transition was that of treated lumber.

More than 6 billion board feet of lumber was treated in 1987, a 15 to 17 percent increase over last year. Of the amount produced, 80 to 90 percent was Southern pine. The treated lumber market was so hot in 1987 that some wholesalers and retailers scampered for product for weeks before finding supplies.

But one of the unexpected developments from the demand for decking material was the return of redwood to retailers east of the Mississippi. For years, redwood's higher production costs and shipping charges made it a prohibitive item for retailers to stock. Redwood manufacturers began kiln drying the product in 1987, thereby lowering freight charges and making the product more cost competitive with treated lumber.

Forest products producers and retailers face some formidable supply challenges in 1988, most of which are expected to materialize during the height of the summer building season.

At the top of the list are the expected mill strikes in the Pacific Northwest and British Columbia, where some 80,000 mill and forest workers begin negotiating new contracts. Workers are expected to demand wage restoration from Weyerhaeuser, in particular, where the company has reported earnings improvements for the past two years.

The federal proposals to reduce the amount of federally owned commercial forestland by 20 percent will also affect the supply levels. Environmental groups have already succeeded with legal challenges to halt timber operations in some forest in Oregon and Washington.

Drought conditions and the likelihood of another summer of forest fires are also thought to affect availability.

1987 was the first year most forest products producers realized new housing was no longer the primary driving force in their markets. NHCN photo

Of the more than 50 million board feet of lumber consumed in the U.S. last year, fully 30 percent went to home centers and the repair and remodeling market, not to new housing construction. That number is expected to increase in 1988, according to the Western Wood Products Association. NHCN photos

Perspectives

census/commodities

Manufacturers push energy savings to sell insulation

In 1987 competition between insulation suppliers intensified as each pushed its products through heavy promotions.

Predictions are that 1988 may be a flatter year given the slower new housing market, rising interest rates and doubts about the economy.

But with the Department of Energy upgrading the recommended levels of insulation throughout the U.S. for existing homes and the new CABO codes for new home insulation, dealers may have just the selling tool they need for future sales.

"Energy conservation is still the motivational-factor relation to the comfort of the home," said Tom Newton, marketing manager for CertainTeed, Valley Forge, Pa.

All three major fiberglass manufacturers continue to promote the product heavily, with CertainTeed and Owens-Corning Fiberglas both conducting their strongest fall promotions ever, based on pounds of insulation sold.

Manville, the Denver-based supplier, ran its first premium giveaway offering four different prizes based on customer purchases of R-19 insulation.

The promotions succeeded in bringing more visibility to the product in the stores, particularly through point of purchase displays, and dealers devoted more advertising space in circulars and ROP to the product category.

And it appears that the main giants are going to be faced with new competition this year from Knauf, the West German firm that has been marketing in this country since 1978 and which, on May 11, opened a $50 million, 750,000-square-foot manufacturing plant in Lanett, Ala.

"This facility is significant because it testifies to the success of Knauf Fiber Glass by virtue of our need to increase capacity," said a confident Thies Knauf, the firm's director and co-owner.

From its market research Toledo, Ohio-based Owens-Corning found that 55 percent of its customers bought insulation specifically for reinsulating application.

CertainTeed's research, however, showed that consumers were buying smaller amounts of insulation as part of a larger DIY project. For example, when remodeling a kitchen, consumers would decide to add kraft-faced R-11 insulation in the walls.

> "Energy conservation is still the motivational factor . . . in [home comfort]."
>
> —**Tom Newton,** *marketing manager, CertainTeed*

To meet this need, CertainTeed introduced a new small 50-square-foot package of R-11 insulation this spring. It is available in either unfaced, kraft, or foil. It includes built-in handles and encourages impulse buying.

Dealers are beginning to differentiate between their insulation customers, realizing that consumers and contractors have different needs.

This spring Owens-Corning introduced four precut insulation products for contractors. These are compression-packed in a polyethlyene sleeve known as SpaceSaver packaging so that retailers can store 40 percent more product in the same space. The bags can also be stacked without bins and racks, and permit faster and more accurate inventory control. The packaging also speeds loading and unloading.

The company, however, has maintained its roll insulation for consumers.

Dealers are still trying to educate the consumer about insulation, and this has been helped in part by a resurgence in free energy audits by local utility companies, which identify for the homeowner areas that need to be insulated, recommend R values and tell where to buy supplies.

Dealers are now running project-cost ad charts in their ROP advertising showing consumers how much insulation is needed for different projects and what it will cost. There is also a greater use of in-store, how-to videos, which give consumers step by step directions on insulation and the costs involved.

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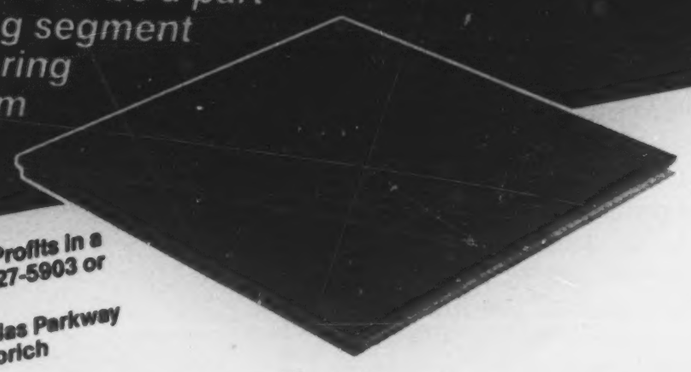

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Perspectives

census/commodities

Unconventional distribution seizes gypsum category

Falling prices and shifting distribution patterns to meet demand characterized the gypsum wallboard industry last year and, say executives, the same should hold true for 1988.

And for the first time in years, product changes are underway.

Furman Lumber, the Boston-based lumber and building materials distributor, expects to introduce its patented solid paper and gypsum wallboard soon. Louisiana-Pacific will break ground in the U.S. market next year with a gypsum, paper and wood fiberboard. And Georgia-Pacific, first out with a fiberglass-faced product for exterior use, expects others to follow soon. But that's where the sector's excitement ends.

"There's more capacity than shipments," observes Robert Doran, director of market research and planning for Gold Bond (National Gypsum). Indeed, the Gypsum Association in Chicago cites capacity last year of 23.37 billion square feet but actual production of just 20.6 billion square feet, and less than that actually sold.

However, it doesn't necessarily follow that the major suppliers—including USG and Domtar—will all of a sudden make more of a product whose margins are thin at current production levels.

Indeed, the growth in the category could be coming from the products that are used to apply it.

For example, USG, the Chicago-based supplier, owns a 33 percent share of the U.S. gypsum board market. But it is also the largest maker of plaster and joint treatment, and has just introduced its new "Plus 3" lightweight joint compound.

"The connections between these two businesses is where we see our marketing advantage," said Rand Haas, a USG spokesman.

In the category, the actual distribution of the fragile product is currently "unbalanced" and less of a locally-sourced market.

"Board is crossing nontraditional borders of distribution. If producers in the southwest can't get get their price, professional brokers will buy it from those plants, get it to the Northeast and hopefully make money," says Doran. "There was always maldistribution; now its more pronounced."

Furman, in the Northeast and itself a broker, noticed more mill-direct shipments around the country than in prior years and less brokering. And, where Furman was used to seeing just two brands around, new brand names (like Celotex, Republic and Temple) are appearing in their markets.

The shift was caused by the building slumps in the Southwest.

Sales and profits for vendors in 1988 are expected to be flat, according to vendors, although shipments are expected to increase, according to the Gypsum Association.

And "prices will probably be lower than 1986," speculates Rich Voile, vp of marketing, and Norm Gross, panel product manager, at Boston's Furman Lumber.

On a national scale, Doran says the violent swings in the housing market are expected to stop, and settling around 1.5 million housing starts this year.

"The cycle has gone out of the gypsum industry. But the commercial end has been depressed and will stay depressed," he notes.

The repair and remodeling market "continues to grow," but manufactured housing—i.e., mobile homes—demand will stay flat.

In the Northeast, notes Furman's Gross, growth in gypsum sales will be "flat at best." Already in 1988 there's a backlog of new housing and commercial properties, he says.

Roger Barker, gypsum product development manager at G-P, Atlanta, forecasts a "modest decline" in sales.

(One of the problems with judging the market size or price fluctuations in wallboard is its "pure" commodity status, explains Doran, with fewer than 10 people in the industry are able to truly differentiate unlabeled brands. So much of the product moves through retail and wholesale channels that accurate segment information from manufacturers is unavailable).

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Perspectives

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Roofing suppliers count on specialty market for profits

Although the total residential roofing market will be flat or down by about three percent next year, suppliers project an increase of about 5 percent in the market for specialty roofing products.

The premium market is a new departure for suppliers used to products sold at the cheapest price.

Today competition is in producing and selling a shingle that looks dimensional and has a 25- or 30-year warranty.

Owens-Corning Fiberglas now produces a random cut and high-style dimensional shingle.

Celotex introduced its new lines of premium Presidential shingle this year. And GAF brought out a new slateline shingle.

Manville is varying the color and number of the granules on its three-tab shingle to give a different textured effect.

This specialty area is estimated to be about 10 percent of the $3.2 billion residential roofing market, according to Richard Snyder, executive vp for the Asphalt Roofing Manufacturers Association.

However, premium shingles do not sell themselves, and do not sell well in cash and carry outlets. Salesmen are needed to sell up the consumer and contractor.

Consumer education

Suppliers and dealers are taking a more active role in consumer education by producing booklets and posters.

Suppliers are holding remodeler workshops and producing videos to help the counter salesman and the contractor.

O-C produced three videos in the last year, two of which are geared specifically to the contractor.

One explains in detail how to install a roof and the other is for the roofing contractor to take into the consumer's home to discuss the types of product now available.

"The contractor is becoming more professional now he has a sales story, with different products he can offer," said Frank Belardo, product manager at GAF.

GAF refocused its advertising budget in 1988 to raise consumer awareness of the products available. It offered $100 rebates in an advertisement in the *Wall Street Journal* on its Timberline shingles and has begun an ambitious advertising campaign in shelter magazines.

To improve roofing sales dealers are trying to break the traditional roofing cycle by persuading consumers to reroof at any time and not wait for a problem or a leak that can do extensive damage.

Pressure on suppliers

The pressure is on the suppliers to stock the whole range of products.

"There is a trend for retailers to limit the number of suppliers and only work with suppliers who offer the full range of products," said Tom Kline, marketing manager at Celotex.

However, many retailers are cutting back on inventory levels looking to the the manufacturer or distributor to carry the full range for the retailer.

There remain great regional variations within the roofing market, and these different geographical pockets are being actively pursued.

In the Gulf of Mexico and Florida, fungus-resistant shingles are still important sellers and present dealers with the chance to upgrade the sale and boost margins.

Roofing

Est. retail market: $3.2 billion
Retail sales growth: 0 to 3 percent
Avg. turns: 6 to 7
Avg. gross margins: NA

NHCN chart

Within this category, suppliers are now offering more variety in both quality and color, according to Marsha Hannah, marketing manager for CertainTeed Corp.

Some companies are expanding their marketing efforts to introduce the treated architectural shingles into the West, including Texas, Arizona and Oklahoma.

The Midwest between Denver and Pittsburgh has lagged behind other areas in accepting fiberglass shingles, though dealers in this region have been aggressively promoting the product.

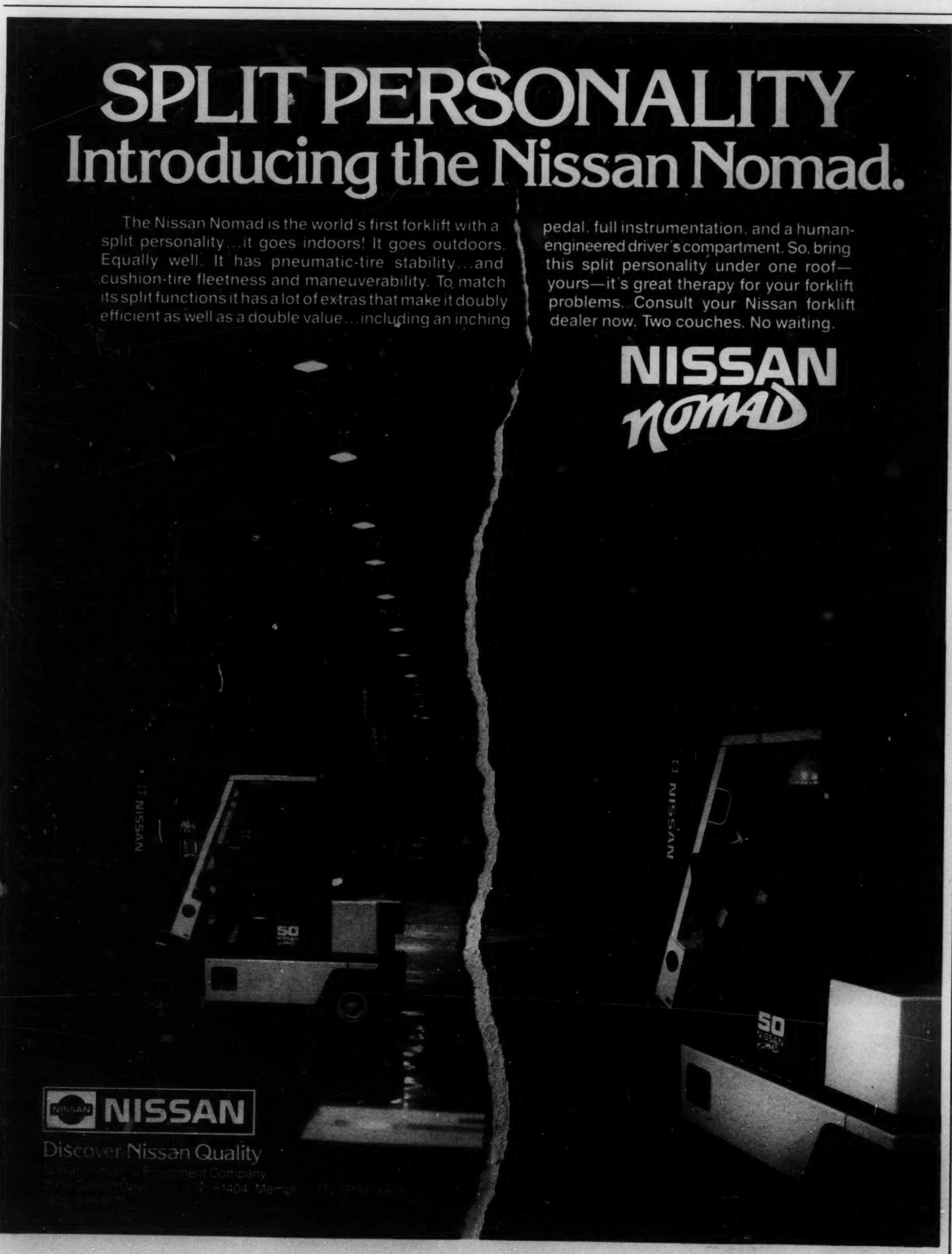
Northern market targeted

The northern market—particularly New England, which maintains strong new home building—has become a target for new roofing products and colors.

Manville is promoting its WeatherSeal shingles as suitable for the northern climates, because it seals at lower temperatures and therefore can be applied all year round.

In California, tile is very popular, but provides dealers with problem of handling and breakage.

Tin or metal roofing used largely for out-house building is gaining popularity in ski resort areas, and pockets of the sun belt find it attractive because of its durability.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Perspectives

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New technology sets stage for thriving panel industry

By an NHCN staff editor

NATIONAL REPORT — Manufacturers of prefinished interior paneling report that their industry will be the next to prosper from technological advancement.

They are giddy in describing the array of new panel products their mills will soon be producing and are capable of producing, thanks to refinements in inks, printing techniques and laminating. The fruits of these advances are already rolling out of the mills, but the producers say the best is yet to come.

The payoff, they insist, will be increased retail sales in the ensuing years and a change in the DIY perception of paneling.

Moreover, the manufacturers say mill improvements are a good investment since, after years of ho-hum activity, the interior wall paneling category is finally starting to surge, led by the wide appreciation of the decorator lines.

Although luan-backed panels are said to account for nearly half of all prefinished panels production and sales, luan is just one of some four to five different substrates manufacturers are currently using in the intensely competitive category. Luan panels compete with products made of Masonite, particleboard, gypsum, hardwood plywood and even domestic softwood plywood.

Calls to some of the industry's major suppliers led to a general consensus that the prefinished interior wall paneling market—which includes all of the various substrates plus the wide varieties of wall planking—is probably a $750 million to $800 million retail sales market, with successful retailers enjoying about six to seven turns a year on a margin of 27 to 30 percent.

Some manufacturers, however, dispute those numbers. This group insists that the total market is less than $600 million and that the average retail turn is four to five times a year.

Whatever the correct numbers, most manufacturers believe the market could expand if retailers displayed the product more prominently and agreed to carry a higher end product. That is why many companies, particularly those in the Plywood Paneling Council—a promotional organization composed of seven of the top luan-backed producers—are investing in mill improvements to create expensive-looking panels, an investment that they hope will lead to higher priced products.

"Let's face it, retailers would like it a lot more if they could sell a panel for $17 rather than $4," said Russ Haan, president of Plywood Panels Inc. (PPI), New Orleans, La.

Although Weyerhaeuser has touted its laser printing line, other manufacturers such as PPI and Ply-Gem, New York, are on Weyerhaeuser's heels with printing and laminating techniques of their own.

In fact, some paneling executives purport that the entire industry is sharing the same technology and that there are few manufacturing innovations that are truly proprietary.

Instead, they talk about such concepts as "puffy" or "bulky" inks, which give the decorator line of panels a beaded texture when the ink dries. They talk about new kinds of coatings that make etching and printing on wood surfaces easier and sharper.

Paneling

Est. retail market: $725 million
Retail Sales Growth: NA
Avg. turns: 5½
Avg. gross margin: 27 percent

NHCN chart

And they are excited about the possibility of laser printing and its impact on the decorator lines.

On the other side of the fence, the hardboard panel makers say their mills have also been infused with manufacturing breakthroughs, particularly when it comes to the plastic, tileboard lines that are used for kitchens and bathrooms.

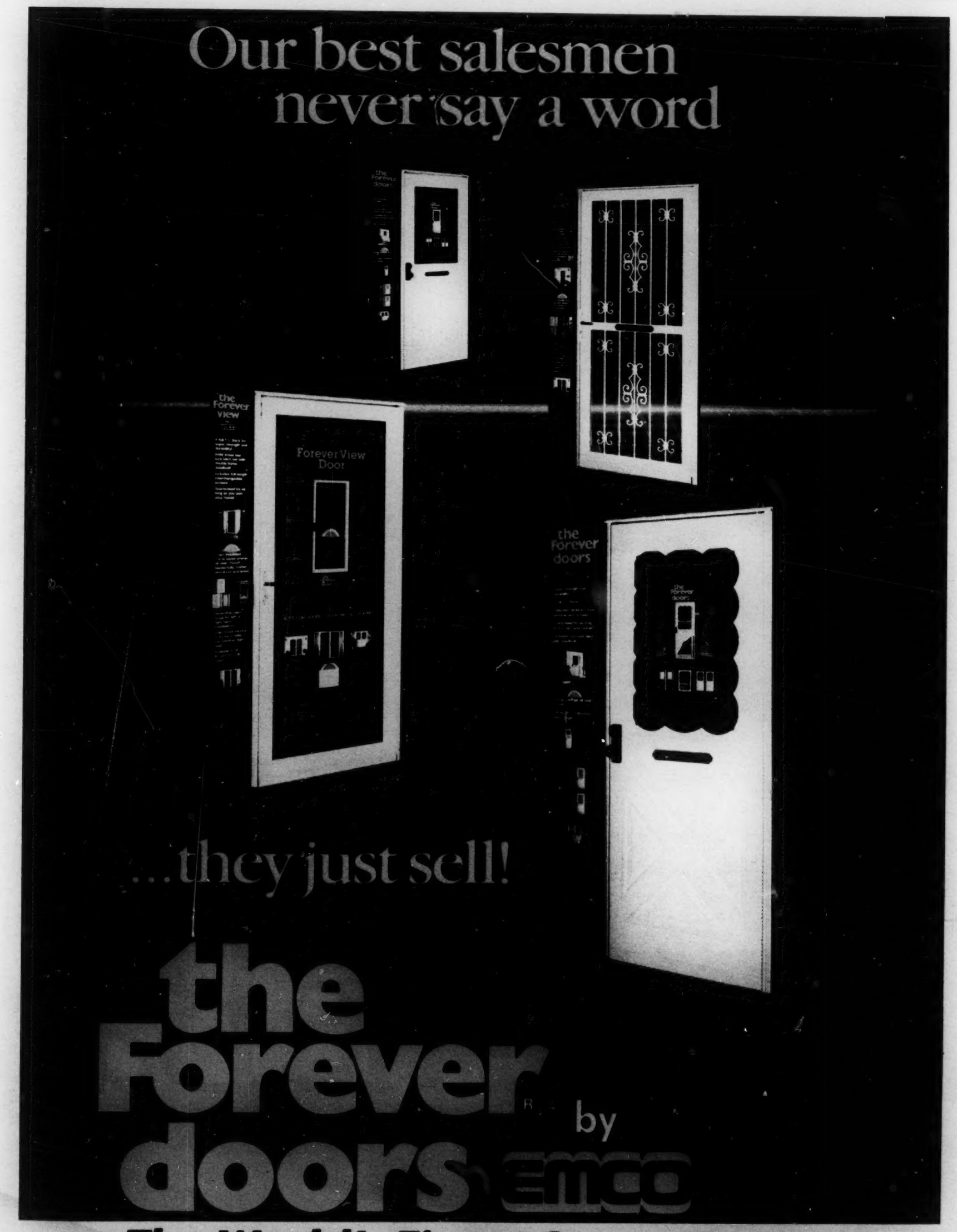
Dave Flynn, vp of dealer sales for Abitibi-Price, Troy, Mich., whose company is probably the largest hardboard panel producer, said refinements in embossing have allowed the company to sell retailers panels that are now selling strong in the $30 to $40 range.

"It's a price range we just didn't see five or six years ago," Flynn said.

All of these improvements are leading to the day when, like the exterior door manufacturers, paneling producers can move their clients up to higher priced panels.

But to do that, the manufacturers say they have to convince the retailers to take their products out of the building materials department.

To that end, nearly all of the manufacturers contacted for this article said they are devoting a considerable amount of time and money to help retailers display panels more effectively.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Perspectives

census/commodities

Return to 'traditional' styles helps boost mouldings sales

"Traditional" was a buzz word in mouldings last year, with a marked demand on the part of consumers to decorate while retailers and manufacturers culled lines.

"People are getting back into woods, . . . dressing things up," observed Mike Ellis, president of Decra-Mold in Oklahoma City. "Architects are specifying more moldings in rooms today."

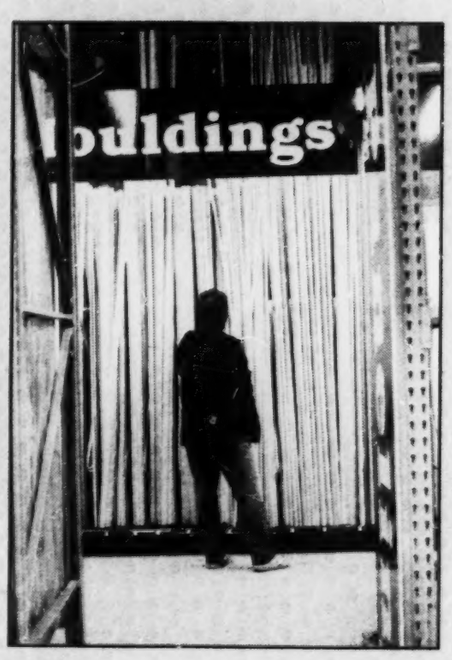
Executives from the major moulding manufacturers agreed, saying the move to more traditional designs in unfinished products, like Colonial, and to more contemporary colors in prefinished products will fuel between 12 percent and 20 percent growth this year.

"Consumers are driving the demand for more decorative mouldings," said Art Ramey, executive vp of sales and marketing for D.G. Mouldings. Ramey said a resurgence in "traditional" values in the U.S. was driving sales of more traditional styles.

"Industrywide, wood grain paneling [sales aren't] growing, but trim sales are an important part of decorating in the home," observed Rick Wearne, moulding products manager at Abitibi-Price. "Moulding is being sold not just as moulding but as part of concept selling today. It's not just door casing but a 'grand entrance door system.' "

Along with a number of retailers and other manufacturers contacted, Gossen Corp. trimmed out its high-end dark- and medium-color Victorian lines. In turn it added lighter hues and entered the hardwood oak veneer line. Prefinished moulding colors are catching up with the "hot" decorator colors like slate blue and hues of purple.

American Lumber & Home Center in Middletown, N.J., sells architectural mouldings in an area of high-end homes near New York City, although it is finding the market for these premium mouldings is "trickling down" to less expensive homes in the area. NHCN photo



Consumers are returning to "traditional" styles in moulding, driving up demand for decorative products. Retailers have also noticed a return by architects to specifying wood in their projects. NHCN photo

> "Moulding is being sold not just as moulding, but as part of concept selling today. It's not just a door casing but a 'grand entrance door system.' "
>
> —**Rick Wearne,** *moulding products manager, Abitibi-Price*

With the elimination of some prefinished stockkeeping units at retail, more retailers switched to two-step distribution last year, noted Robert Simon, vp of sales and marketing at Gossen.

"The majority of retailers we were selling direct opted [in the last year] to go through distribution channels. They're looking for better turns," Simon said.

The executives agreed the larger chains and warehouse stores will stay on direct shipments although there appears to have been a weeding out of skus among the majors as well.

Retailers kept margins for the larger unfinished market strong last year, above 40 percent, while prefinished mouldings margins stayed right around 50 percent, vendors report. Aluminum extrusion mouldings maintained a product selling at a 50 percent margin but with fewer—approximately three—turns a year.

Unfinished mouldings inventories were expected to turn over eight times a year. Prefinished moulding turns ranged from three to six turns a year.

Photograph shows actual net weight.

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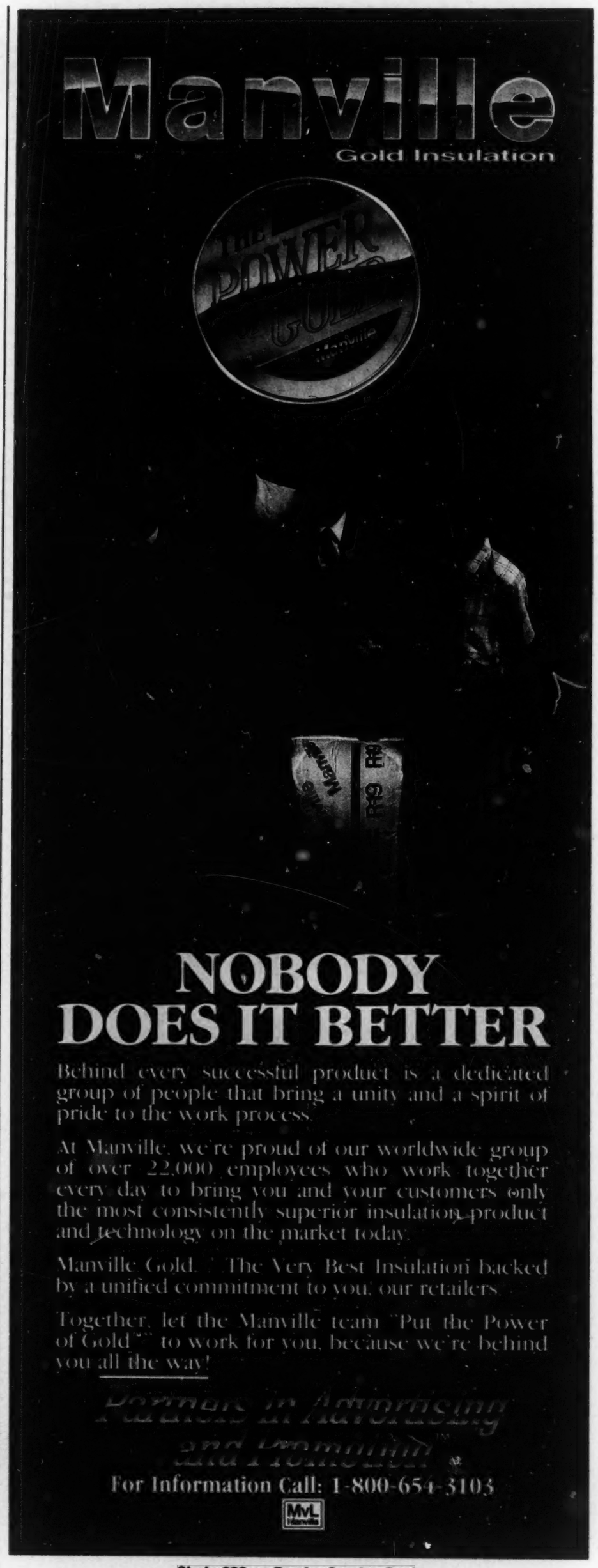
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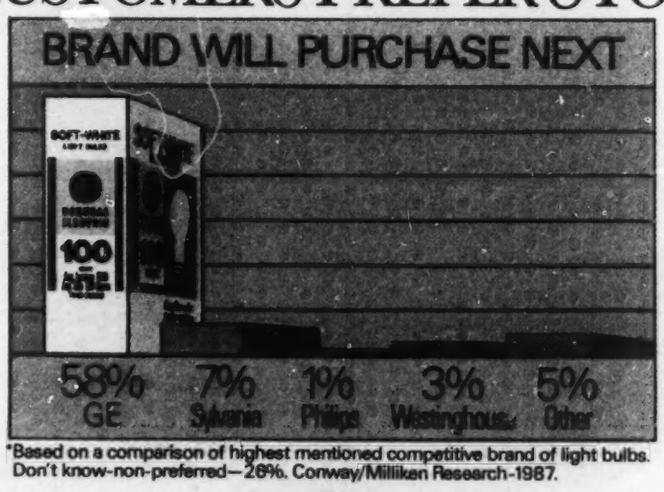

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

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Perspectives

census/commodities

Wood, vinyl windows prosper at expense of aluminum

The window industry expects flat sales or modest gains this year, with wooden and vinyl windows continuing to succeed at the expense of aluminum.

"People want wood windows and want to show they're wood windows," said Jack Ulrich, manager of sales promotions for Andersen Corp., the Bayport, Minn., manufacturer.

Two-income families want to move up to wooden windows, said Larry Johnson, marketing manager for Caradco, the Rantoul, Ill., manufacturer.

"It adds prestige to anything it's connected with," Johnson said of wood.

He also said that housing starts may decline this year compared to 1987, but he noted that the market is strong for building higher end houses that usually have wooden windows.

People are choosing to build larger houses now, another boost for the wooden window business, Johnson said.

Windows

Est. retail market: $3.3 billion
Retail sales growth: 14 percent
Avg. turns: 4½
Avg. gross margin: 25 percent

NHCN chart

Susan Marvin, vp-sales and marketing at Minneapolis-based Marvin Windows, said starts will drop farthest in multifamily housing, a price sensitive market segment that seldom uses wooden windows.

Pella's marketing research manager, Verlan Den Adel, said wood and vinyl have gained share from aluminum for several years.

Vinyl makes gains

Den Adel's admission comes despite his Iowa-based company's position as the preferred aluminum window brand in a National Association of the Remodeling Industry (NARI) survey of professional installers.

Vinyl is making gains by offering customers nearly maintenance-free operation, manufacturer sources said.

Pella's Den Adel attributed some of vinyl's popularity to earlier acceptance in Europe.

Vinyl does well in replacement and remodeling, added Marvin.

"It came from nothing in 1980 to an estimated 25 percent of the market," Marvin said.

She noted, however, that high-pressure selling has succeeded for small companies in the vinyl window business.

Aluminum remains strong in the South, she said.

Window and door expenses

Windows and doors together still represent the biggest segment of spending on professional remodeling projects, according to NARI figures.

Projected 1987 volume was nearly $10.7 billion, up from $9 billion, the year before.

In a number of professionally installed projects for 1987, storm windows led with more than 25 million, followed by replacement windows with more than 23 million.

Other top projects were, in decreasing order, interior doors, storm doors, bathrooms, reroofing and kitchens.

In new products, wood has proved prominent in the last year.

Andersen has introduced Frenchwood wooden patio doors with a plastic film to protect the outside and natural wood on the interior, Ulrich said.

In January, Caradco introduced the Georgetown Collection of wooden doors and windows.

Energy-efficient Low-E glass continued to increase in market share, reaching more than 50 percent of the production of some companies.

Industry observers predicted even greater strides for Low-E in the event of another energy crisis.

Geometrics, including round tops, arches, hexagons and other shapes, remained important in the category, but manufacturers declined to estimate the product's market share.

Manufacturers agreed that window display has improved

(Continued on page 47)

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Perspectives

census/commodities

Steel strong-arms its way into niche of DIY door market

Steel is strengthening its niche in the DIY door market, according to several manufacturers of exterior doors.

Steel doors have captured about 40 percent of the exterior door market since 1980, according to LSI Systems, a research arm of F.W. Dodge. Wood doors account for the remainder.

"Our upper end of the steel door business is growing at the fastest pace it has grown in 10 years," said Tom Fening, marketing manager of Pease Industries in Fairfield, Ohio.

Steel plays bigger part

"Steel is playing a bigger part in the door industry," agreed John Vogus, product manager of Troy, Mich.-based Stanley Door Systems. "It is taking over some of the wood [sales] percentages."

He added, "Our marketing thrust is to build brand awareness that steel can be beautiful."

Nancy Roffey, communications director for Therma-Tru Corp., Toledo, Ohio, said that steel is already outdated in certain respects.

Therma-Tru's five-year-old "Fiber-Classic" made of compression-molded Fiberglas compound is "the door of the future," Roffey asserted.

"It looks like a solid oak door and has the durability and security of steel, but none of the problems associated with steel and wood."

Wood can "split, warp, crack and dent" and steel "looks so flat and cold," she said.

Will Biddle, subscriber relations manager for LSI Systems, said the steel versus wood debate boils down to "regional preferences."

"They use wood doors on the West Coast, while in Chicago, it is mostly a steel door market," he said. "In the South, it is a mixture of the two."

This home features Louisiana-Pacific Cedra aluminum clad [illegible]

Steel Doors

Est. retail market: $390 million*
Retail Sales Growth: 15 percent
Avg. turns: 4 to 4½
Avg. gross margin: 22 to 40 percent

*NHCN estimates — NHCN chart

Door demand by region

Joseph Bancroft, chairman of Croft Metals based in McComb, Miss., elaborated:

"In Florida, they go for plain doors. In Los Angeles, they spend a little more money for better design."

Manufacturers are attempting to find new materials for entry doors. One new idea is a composite door.

Door utilizes Fiberboard

Bob Jimerson, assistant millwork manager at Jeld-Wen, Klamath Falls, Ore., stated that his company makes an interior molded panel door which utilizes Fiberboard.

Jeld-Wen, which has made this interior door since 1972, is "still working on an exterior door that will perform," Jimerson said.

Of so-called composite doors, Biddle commented, "You can get much finer detail with that process but it also is easier to put your fist through it" than a wood or steel door.

Window market expects only modest gains

(Continued from page 46)

in most home centers.

"The retailers are becoming much more consumer-oriented," said Andersen's Ulrich. They're switching to a window and door boutique because that's the way the customer wants to shop.

The boutique trend began in specialty stores and spread to home centers as retailers devoted more space to the big-ticket merchandise, Ulrich said.

Marvin has debuted a program to help professional remodelers sell projects.

For sales presentations, the program includes a flip chart, corner samples, literature and a two-part video. The kit also includes advertising strategies.

Marvin also introduced a Computer Aided Design program to help architects quickly design windows.

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Perspectives

census/commodities

Door makers concentrate on DIY replacement market

With new housing construction in a downward trend, many door manufacturers are concentrating their efforts on the DIY replacement market.

The focus on repair and remodel—"R & R"—is growing while new construction-related door demand is declining, according to the National Wood, Window and Door Association (NWWDA).

The decrease in housing starts is forcing door manufacturers to refocus their emphasis, said Jim Benney, technical services manager for the Des Plaines, Ill.-based NWWDA.

The number of doors earmarked for the new construction market is "declining a bit due to the slowdown in home building," Benney said. "The door replacement market is growing."

Between 1984 and 1986, the number of door units increased 15 percent yearly, said Will Biddle, subscriber relations manager for LSI Systems, a research arm of F.W. Dodge based in Crofton, Md.

"There is tremendous interest in entry doors as a house's focal point—it's the first impression you get," said Nancy Roffey, communications director for Toledo-based Therma-Tru Corp.

Replacement doors are usually more upscale and expensive than a house's original doors. Customers who buy new doors want to express their individual taste and cost is not their top concern.

Keeping up with the Jones'

At independent Sundance Lumber in La Verne, Calif., co-owner John Huff said homeowners shopping for entry doors "usually want the same style as their next-door neighbor." Sundance special orders doors from several sources.

"Consumers are not harping on price alone—they are more interested in a door's features and benefits, such as energy efficiency," said Peter Hicks, communications manager for Dallas-based Atrium Door & Window Co.

"The R & R business is not as cost sensitive as new construction," added Dana Snyder, vp-sales and marketing for Rantoul, Ill.-based Caradco, which makes a line of patio doors.

The market shift to meet the needs of "move-up" homeowners has created door innovations, and also made doors more costly.

Door manufacturers are developing an array of products to meet this upscaling trend. Meanwhile, so-called "loss-leader" doors are being sold at near cost by some dealers as margins narrow on the cheaper doors.

Tightening margins reflect the competitiveness of doors in home centers. Joseph Bancroft, chairman of Croft Metals, McComb, Miss., said his company sells 110,000 doors a year to one multistate home center chain.

Pease Industries' wood door

At the upper end of the pricing spectrum is a prefinished wood door costing between $2,500 and $4,000 which will be introduced this summer by Pease Industries of Fairfield, Ohio. This door, available in oak, mahogany and teak, is a diversification away from Pease's steel door focus, said marketing manager Tom Fening.

Pease Industries has traditionally aimed most of its efforts at the high-end steel door market since designing the first residential steel insulating entry door 27 years ago.

Pease Industries' move into wood doors reflects what company officials believe to be "the swing into upscale housing," Fening said.

Diversification catches on

Atrium Door & Window has also joined the diversification bandwagon. Last year it expanded its product line to include entry doors for the first time since the company debuted its interior atrium doors in 1976. And it also introduced door hardware. "We see hardware as a great cross-merchandising opportunity for retailers who sell our atrium doors," spokesman Hicks said.

Door makers' aim at the remodeling end of the market appears to be timely.

NWWDA figures show a yearly decrease in the number of interior and exterior doors used in the new construction market.

Interior doors used in new construction totaled 24 million in 1987.

That number is forecast to drop to 22 million this year and to 21 million in 1989.

Number of R&R doors grow

Exterior doors used in new construction totaled 4 million in 1987 and is forecast to total 3.8 million this year and 3.5 million in 1989.

By contrast, the number of doors used in the repair and remodel market is seeing steady growth.

Interior doors used in R & R in 1987 totaled 8.7 million. The forecast is for 9.8 million units this year and 10.2 million in 1989.

Exterior doors used in R & R in 1987 totaled 3.5 million. This year, a total of 3.6 million units are forecast and in 1989, 3.7 million units will be used, according to NWWDA figures.

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Perspectives

census/commodities

Jump in 1Q paint sales doesn't augur major growth

The retail paint market, which over the past few years has grown at only a 3 percent to 4 percent clip, saw unusual sales activity in the first quarter of 1988.

That's the good news. The bad news is that the chemical used in all paint as a hiding agent, titanium dioxide (TiO_2), is again on allocation. The shortage could stunt the unexpected growth of the product simply because there isn't enough of the chemical to go around.

A shortage of the chemical titanium dioxide, used in all paint as a hiding agent, could stunt growth in the paint category. NHCN photo

Paint

Est. retail market: $2.3 to 2.5 billion

Retail sales growth: 2 to 4 percent

Avg. turns: 4 to 5

Avg. gross margin: 20 to 28 percent (On Sale)
35 to 40 percent (Off Sale)

NHCN chart

Similar growth patterns

"I was with a group of competitors a few weeks ago, and they all told me they were experiencing the same growth patterns," said Jim Edwards, technical director of consumer products for Valspar Corp., Minneapolis, whose Colony Paint line sales were up more than 12 percent in the first quarter.

"If TiO_2 remains in short supply, we could have some problems keeping up with demand."

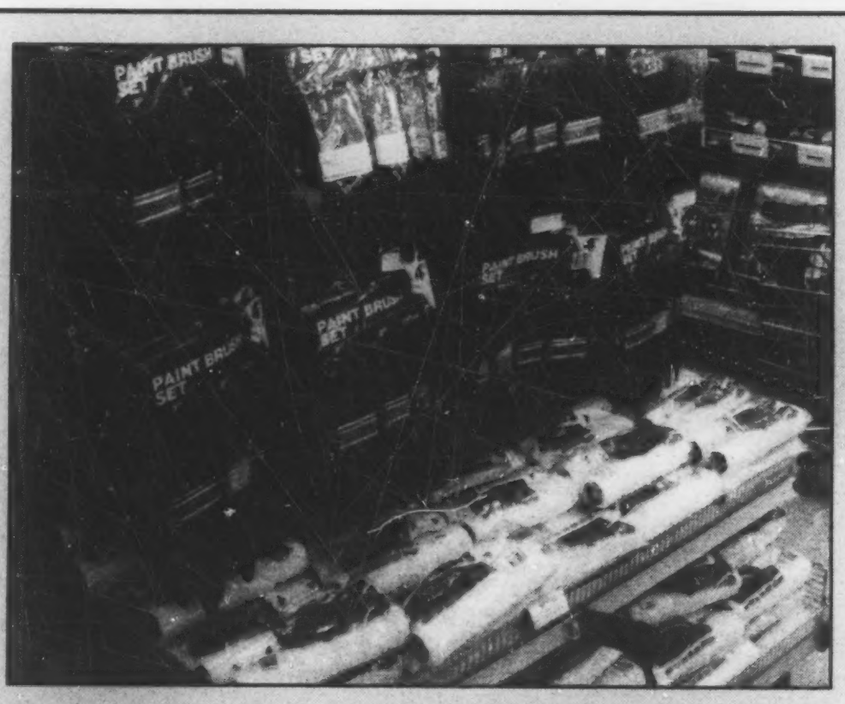
Peter Balint, vp-marketing for Dutch Boy Paints in Cleveland, noted there were only a few producers of this chemical—DuPont being the main one. But Balint indicated that this was just one of those problems paint manufacturers had to "deal with," and that the allocation was based on a respective producer's volume. "Some companies are having a harder time than others getting the pigment."

Balint said he would be surprised if the retail paint market grew at more than 2 percent to 4 percent this year, anyway, so this allocation problem may turn out to be a momentary inconvenience for manufacturers in what is arguably the most competitive product category in the industry.

The emergence of stain as an alternative to paint, the effect government regulations will have on the kinds of paints that can be sold and the increasing sophistication of consumers about what they buy are all factors that manufacturers are expecting to impact the retail paint market in 1988.

At $2.3 billion to $2.5 billion in retail sales, paint continues to be a category in which dealers note high volume, low margins and severe price footballing. Glidden's Spred Sat-

(Continued on page 58)



Dave Rowenkamp, senior vp-sales and marketing, Wooster Brush, Ohio, stresses the importance of educating consumers on applicator quality. NHCN photo

New attention is given to selling proper sundries

Dave Rowekamp sees more affluent young couples going back into city dwellings and renovating their homes.

"There's been a dramatic increase in the DIY market, and it's important for retailers to sell the proper applicators when the DIYers buy their paint," said the senior vp-sales and marketing for Wooster Brush in Ohio, who lamented that its still typical for a customer "to spend $18 on a gallon of paint, and then buy a 49-cent paint brush."

In order to overcome this problem, Wooster Brush—reputedly the largest producer of brushes in the country—gives training seminars to store sale clerks, and its in-store display features a battery-operated talking sign, where DIYers listen to a tape that explains the proper brush for the proper paint.

Rowekamp noted that stores selling paint need to educate their consumers about applicators because if they buy a cheap brush and the job looks runny, they'll come back and complain about the paint, not the brush.

Other than seeking new fabric for brushes or new filament for rollers (in order to work with changing paint formulas), there's not much that manufacturers can do to alter brushes or rollers. However, sales can be increased through attractive displays. Sundries manufactures underscored the fact that display positioning is extremely important with impulse items such as,

(Continued on page 62)

Stricter safety, environmental rules concern adhesives makers

"If things keep going like this, we won't have anything on our packages except warning labels," said Daniel Nixa, manager of marketing and services for Macco Adhesives Group, Wickliffe, Ohio. "In some states, we even have to supply warning signs for stores."

Conforming with safety and environmental regulations is a growing concern of the adhesives, caulks and sealants industry. The government has become stricter about what can be labeled nonflammable, has created a new category called combustible and has required manufacturers to provide safety data sheets.

Manufacturers are altering formulas from harsh solvents to latex based, although some manufacturers feel that using latex detracts from the product's adhesive qualities; others feel they can change the formula and still make a high-quality product.

"We've changed our formulas to make them environmentally safer and we managed to do that without sacrificing quality," reported Loren Plotkin, product manager for Macklanburg-Duncan, Oklahoma City.

In some areas, like California, where there are major crackdowns on toxic dumping, manufacturers are being held responsible for illegal dumping when large job sites dispose products in a hazardous fashion. Cans coated with remnants of wood flooring adhesives were one example.

Besides dealing with strict-

(Continued on page 62)

Conforming with safety and environmental regulations is a growing concern of the adhesives, caulks and sealants industry. NHCN photo

Perspectives

census/commodities

Paint makers see dealers sell multiple national brands

(Continued from page 52)
in, said one industry analyst recently, may be the home improvement industry's single biggest unit volume selling line in all product categories, which gives some indication of what kind of business dealers are doing with paint.

However, several manufacturers are looking to differentiate their product lines to remove the stigma of "commodity" the category has been saddled with by dealers' frenzied pricing.

For example, Lucite Paints, the Bellevue, Wash.-based supplier, has been promoting the "Profit Enhancement Program," introduced at the 1987 Hardware Show, that allows dealers to build up an accrual fund, based on total purchases. It has been described by one company official as "our version of the frequent flyer."

Lucite has also been emphasizing the changes it has made in its labeling that company officials claim "differentiate" its product from other national brands.

"Commodity implies there's no differentiation in brand," explained Dutch Boy's Balint. "But we're seeing a trend by dealers to go with national brands, and using one that isn't sold as a loss leader." He alluded specifically to Scotty's, which for years sold only the regional Mobile paint line and is now stocking Glidden.

PPG Industries in Pittsburgh is also attempting to be dealers' "second brand," according to director of marketing Mike O'Malley. "We are not a footballed product, our marketing isn't set up that way and those people that want to sell us at the lowest price we've sometimes had to turned away from."

"What you see happening out there," said Valspar's Edwards, "is that the industry is offering a price to consumers: you get what you pay for. Competition is driving the need to bring out the low end, but that doesn't mean you get the same quality."

A common rule of thumb is that 70 percent of all paint is sold on sale, and sales, according to Glidden's director of marketing services Charles Carpenter, are what dealers use to lure home-owning couples into the store.

However, who that customer is and what he or she wants is not all that cut and dried anymore, as evinced by the new marketing campaign Dutch Boy introduced at the Home Center Show in March, which is aimed specifically at different age and income groups.

Carpenter noted that DIYers are becoming choosier when selecting exterior colors and they're experimenting more with complementary color schemes. In the interiors, DIYers are leaning towards muted tones—off whites, soft rose, grey, beige, peach, etc. Besides considering a color scheme, paint consumers want a product that's durable and easy to clean.

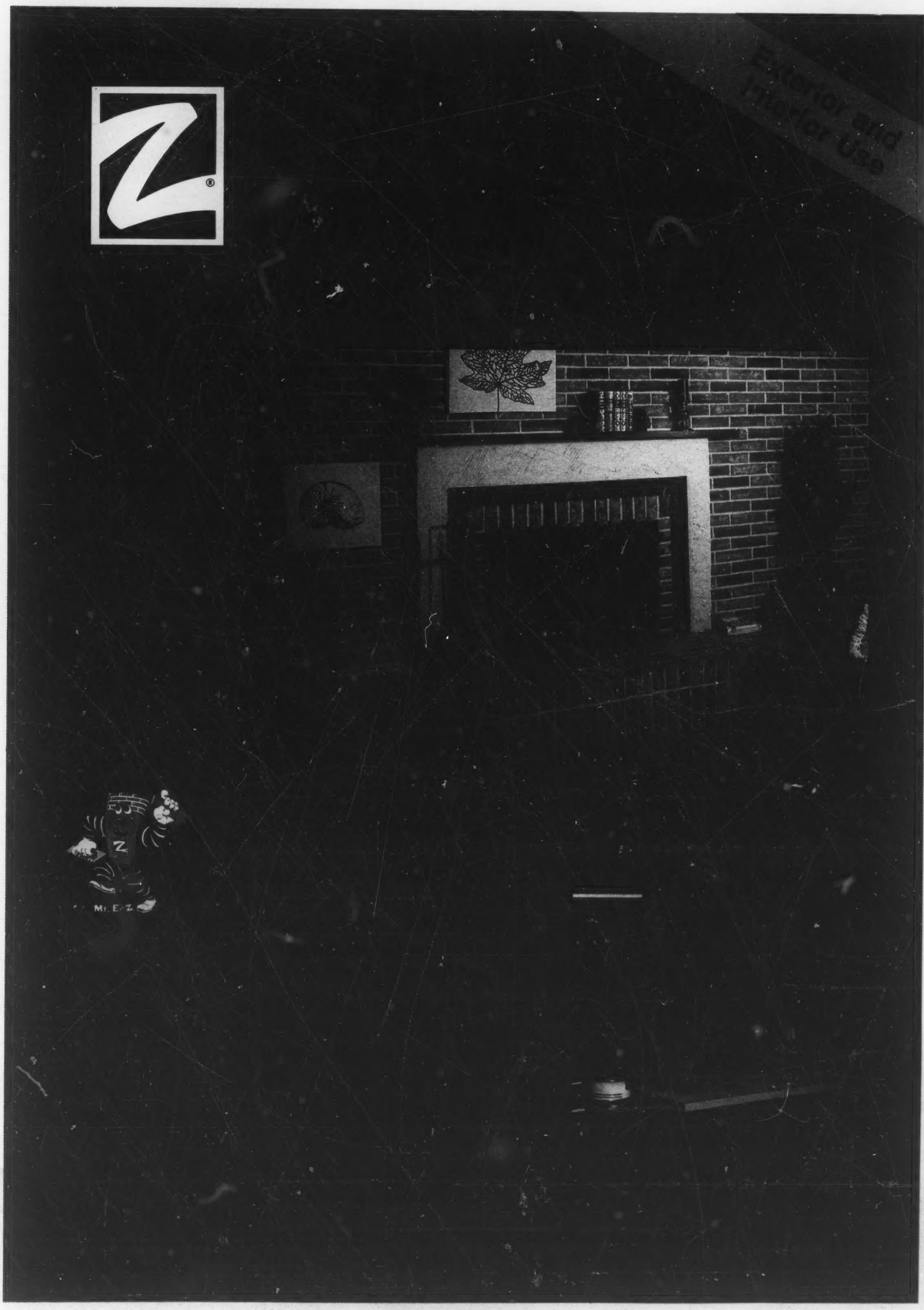
And, significantly, a good number of consumers are turning to stain, which according to O'Malley of PPG "is really starting to gain on the exterior paint market. If you look at the numbers closely, all the growth in exterior coverings is coming from stain."

Not surprisingly, many manufacturers are jumping into this market segment: Thompson's Water Seal and Rust-Oleum are using national television advertising to promote their new stain products; Glidden has also used print advertising to promote its own "Endurance" stain.

All this activity in an attempt by suppliers to cut into the huge market share maintained by Olympic HomeCare, which over the past several months has been conducting an aggressive marketing and ad campaign of its own.

But while companies look to wrest market share from each other, the whole industry has become more concerned over the pressure being exerted by federal and state legislatures to control what chemicals can be used in the production of paint.

"Government regulations will play a much bigger role in our business," said Dutch Boy's Balint, "and will affect our costs." PPG's O'Malley added that "VOC [volatile organic compound] limits and Proposition 65 [California's tough new paint law] are making a lot of well-established paints obsolete."



Circle 42 on Reader Service Card

Perspectives

census/commodities

Adhesives makers work on creating safer formulas

(Continued from page 52)
er EPA regulations, adhesive manufacturers are facing price increases in their raw materials and packaging, such as cans, paper and corrugated cardboard.

"So far, competitive pricing has kept down prices for the dealer, but eventually it will have some effect," observed Plotkin.

"So much of our raw material is being exported," noted Marty Soller, marketing manager, Franklin International, Columbus, Ohio, "and that makes it more difficult for American companies."

Both Plotkin and Nixa noted that adhesives is a stable product that has remained constant. However, Franklin is introducing a caulking that comes in 35 different colors and another that can be custom colored to match any paint.

Although there's little new in the product line, adhesives manufacturers are creating helpful displays for the retailer and the DIYer. Franklin has a new four-shelf display that holds 500 pounds per shelf and features wire racks to keep the items in place; they're also attracting attention with four-color corrugated boxes.

Adhesives

Est. retail market: $750 million
Retail sales growth: NA
Avg. turns: 5
Avg. gross margins: 35 to 50 percent

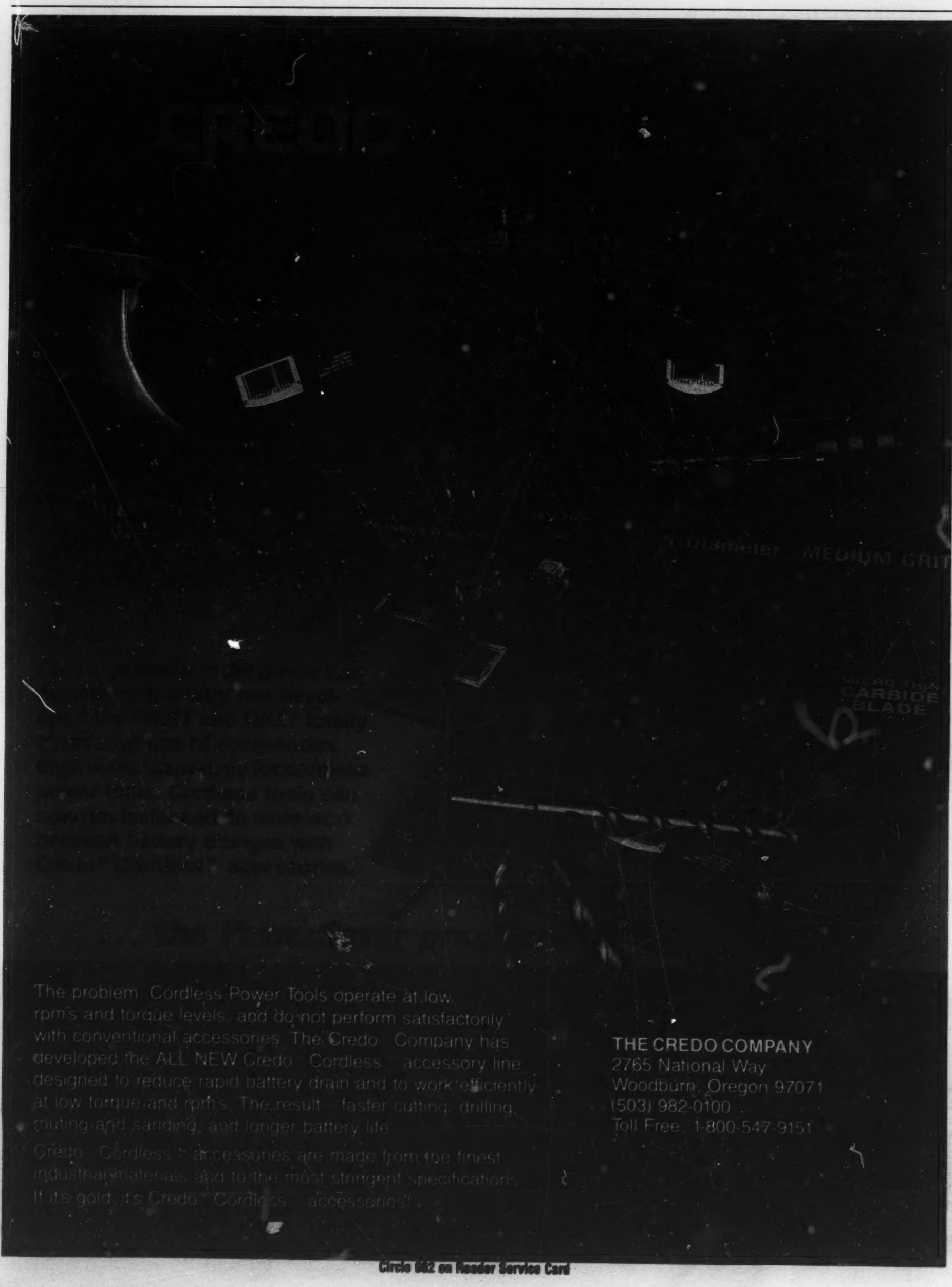
NHCN chart

M-D features a grid chart where consumers can match up the right adhesive for the project. Macco offers lots of free how-to literature that's kept right next to the products. The supplier also features a POP header over the display and new packaging that shows a DIYer paneling a wall, laying a floor, or putting up ceramic tiles.

"We want to make it clear the consumers can do it themselves," said Nixa. "We also hold seminars for the sales help so they can become more familiar with the uses of our product."

"Consumers are realizing they can use adhesives rather than nails, so they're buying more adhesives," noted Plotkin. "This is a growing market."

A spokesperson for G.E. Silicon Products Division, Waterford, N.Y., agreed the market is growing and that it's very important for the manufacturers to pay attention to case packaging. She also noted they're still offering rebates on G.E.'s four-pack units, despite the fact that the trend is going away from rebates. She alluded to upcoming new products, but declined to discuss them until their scheduled introduction at the Hardware Show in August.


The problem: Cordless Power Tools operate at low rpm's and torque levels and do not perform satisfactorily with conventional accessories. The Credo Company has developed the ALL NEW Credo Cordless accessory line designed to reduce rapid battery drain and to work efficiently at low torque and rpm's. The result - faster cutting, drilling, routing and sanding, and longer battery life.
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Dealers urged to teach DIYers on applicators

(Continued from page 52)
brushes, rollers and drop cloths, and that they must convince retailers to locate their products next to the paints.

"We favor concise packaging that shows the benefits of the applicator," said Ed Goldstein, vice president of Padco, the Minneapolis-based supplier. "We use four-color photos that show the roller in use, and we bullet the main features on the packaging. That way we educate the consumer about the use of the product."

Showing the product being used is especially important in Padco's lines: specialty applicators, such as trimming tools, corner paint pads and unusual extension poles. American Brush also uses four-color photography that illustrates which brush should be used for a specific project.

Sundries

Est. retail market: $400 million
Retail sales growth: NA
Avg. turns: 6
Avg. gross margins: 50 percent

NHCN chart

"Our best brushes are project specific," said Pamela Wood, vp-marketing for the Claremont, N.H.-based supplier. "And we want to help the retailer sell better brushes. Brush sets are also good sellers."

Both Goldstein and Richard Dell, president of E-Z Paintr in Milwaukee, agreed that "one coat" is a big selling point for brushes and rollers.

Almost everyone noted that the rising cost of plastic would reflect a price increase for drop cloths and applicators made with synthetic filaments. Dell added that domestic suppliers are rushing to export and this creates price increases for the American companies.

"We're talking about a 30 to 50 percent increase in the cost of plastic," said Dell. "It's such a dramatic increase that we cannot absorb it."

Perspectives

census/commodities

Sales of sheet resilient flooring have become a growing segment of the market with the rise of DIY kitchen and bath remodeling. NHCN photo

Growing sales of DIY flooring tied to rise in K&B remodeling

While linoleum has gone the way of the hula hoop, resilient flooring has not, and its popularity is on the increase.

Significantly, manufacturers see DIY flooring as a growing segment due to the rise in remodeling.

"This is directly applicable to home centers," said Charlie Whipple, general manager of residential and DIY markets for Congoleum, Princeton, N.J.. "There is a tremendous boom in kitchen and bath remodeling and while we talk a lot about alternative uses for resilient flooring, it is the primary choice for kitchen and bath. Well over 50 percent use sheet vinyl for these rooms."

Also, according to Whipple, about three-quarters of the industry's home centers now carry sheet vinyl. He sees a 10 percent growth rate for DIY resilient flooring, and projected a $42 million market for 1989 from $34 million in 1987.

"We're doing what we can to help the DIYer," said Whipple. He noted that home centers surveyed regarded a salesperson's effort as most important component to a sales increase. In answer to that, Congoleum holds training programs for salespeople.

To keep abreast of the changing market, Mannington Resilient Floors, Salem, N.J., has updated its designs to reflect the currently popular pastel pallet. No-wax sheet vinyl continues to be popular, with a recent shift towards high-gloss finishes.

Mannington's dedication to the DIY market is exemplified by its Perfect Fit Kit, designed to simplify installation.

Armstrong World Industries, Lancaster, Pa., emphasizes merchandising with its FloorMaster displays, which vary in size to hold from 13 to 25 rolls to accommodate a variety of retail floor plans.

And while resilient flooring is preferred by most consumers for many applications, there is a growing trend toward hardwood flooring.

Bruce Hardwood Floors has had great success penetrating the DIY market and having its products cross-merchandised with kitchens. Tarkett, Parsippany, N.J., has responded to this market by producing not only hardwood flooring, but also sheet vinyl that simulates hardwood patterns.

Michael Miller, Tarkett's vp-marketing, said, "Each new pattern was thoroughly researched in the marketplace to confirm consumer buying trends."

The new patterns also include a simulated ceramic tile motif. "Consumers responded by indicating a preference for traditional ceramic and hardwood motifs, with more sophisticated styling at the high end." Additionally, consumers requested flooring patterns in mauve and gray colorations to coordinate with current decorating trends.

With regard to hardwood, Tarkett offers home centers solid hardwood parquet prefinished panels that can be installed in a variety of patterns. It is offered in pastel and neutral color tones.

According to an annual survey conducted by F.W. Dodge/LSI Group, a division of McGraw-Hill Information Systems, and the National Association of Home Builders, resilient tile and sheet material hold a 15 percent market share, second to carpeting at 76 percent. Wood flooring and ceramic tile follow at five and four percent respectively.

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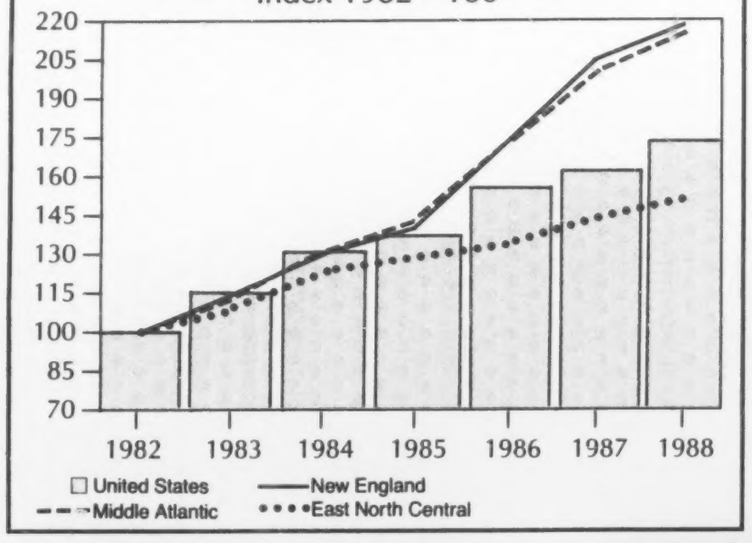
Circle 48 on Reader Service Card

Business Watch

Section 4

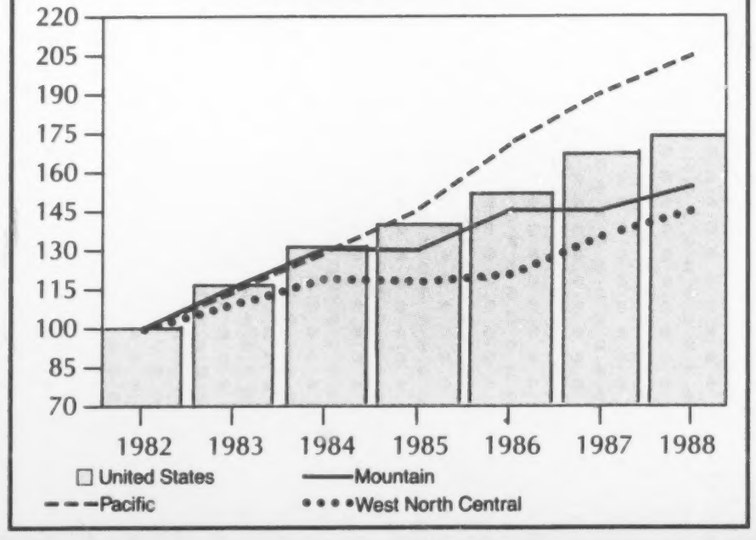
The Northeast remains the strongest . . .

North Building Material Sales
Index 1982 = 100



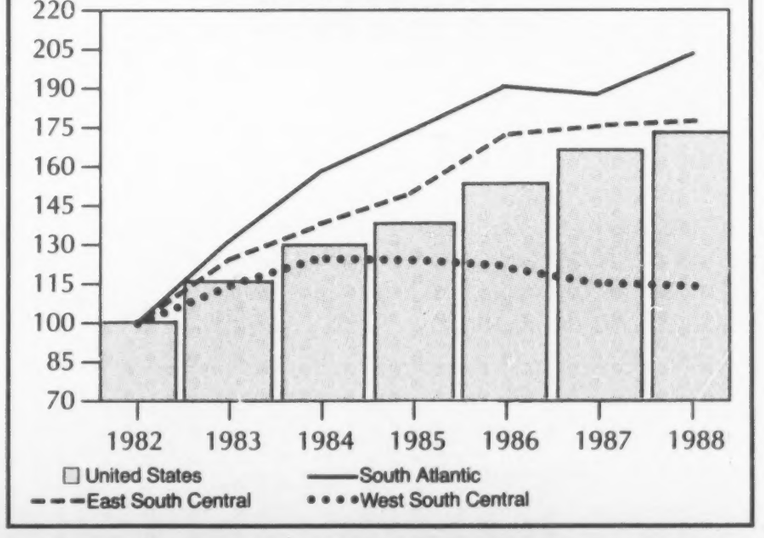
. . . the Midwest improves as Pacific bests Mountain . . .

West Building Material Sales
Index 1982 = 100



. . . and the South stays diverse.

South Building Material Sales
Index 1982 = 100



Revisions to retail trade data change outlook for sales

By Richard E. Mount
Special to NHCN

Recent revisions to the retail trade data paint a different picture of national and regional building materials sales than originally reported.

The aggregate building materials sales level was reduced in the Commerce Department's revisions, and a number of regions were reported as being significantly stronger or weaker during 1987.

Building materials sales are now likely to increase 5.6 percent this year, 2.4 percent in unit volume. This compares favorably to the 6.8 percent rise in dollar sales during 1987.

Richard E. Mount

New England will remain stronger than average in 1988, up 6.7 percent due to continued strength in the local economy. But localized labor shortages, high home prices and slower growth in defense spending could retard expansion.

The slowdown in Middle Atlantic states' employment was not as severe as many expected, and the strength in sales in the opening months of 1988 should carry the area to a 6.5 percent increase in 1988.

The East North Central states are now likely to rise 5.6 percent, equal to the national rate. Given the expected increase in domestic manufacturing coming from the lower dollar, this region will outperform the nation after the first quarter.

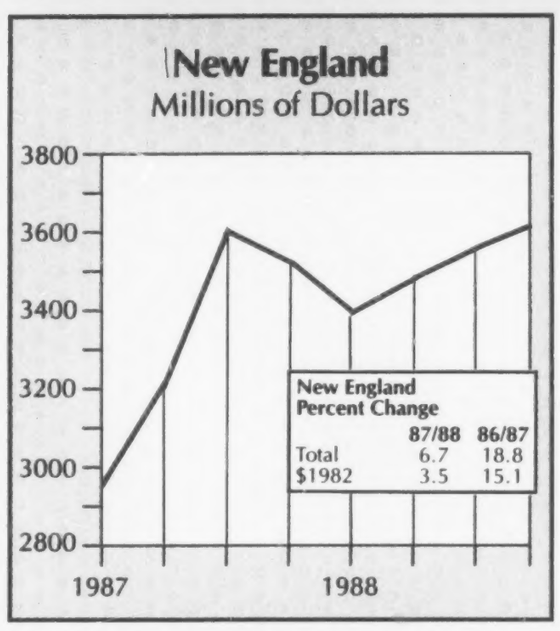
The South Atlantic states staged a strong rebound beginning in the fourth quarter of 1987. Even with an easing in the rate of advance, sales could be up 8.1 percent this year.

The Pacific states are likely to be the strongest in the nation this year with a gain of 8.4 percent based on the first-quarter sales pace. While the diversified California economy remains the linchpin of the region, Oregon and Washington are gaining strength from exports of lumber products.

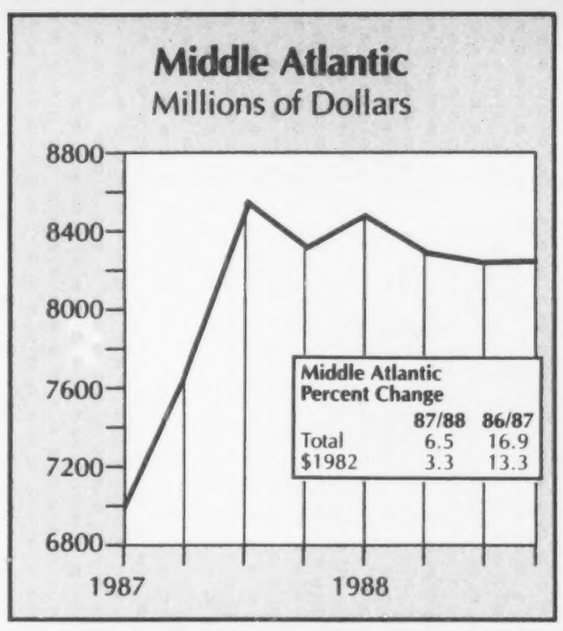
Richard Mount is president and chief economist with Mount Economic Consulting.

Regional Outlook: Building Material Sales

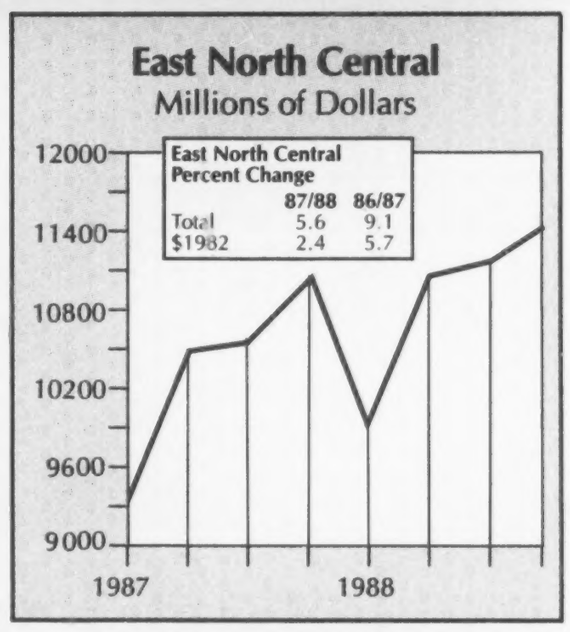
New England
Millions of Dollars



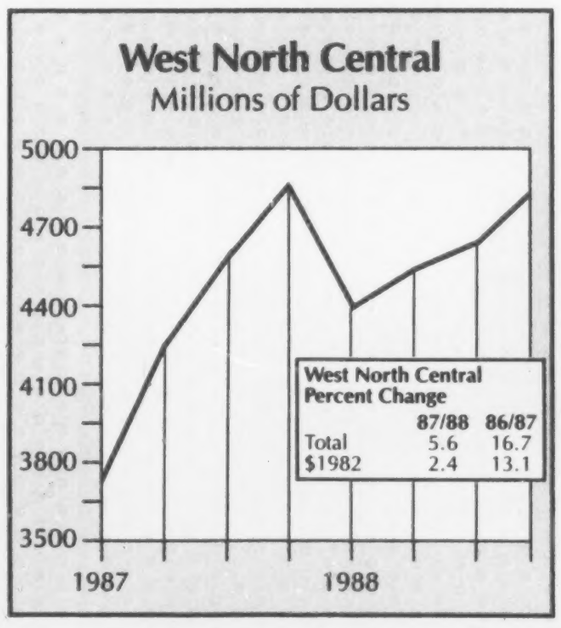
Middle Atlantic
Millions of Dollars



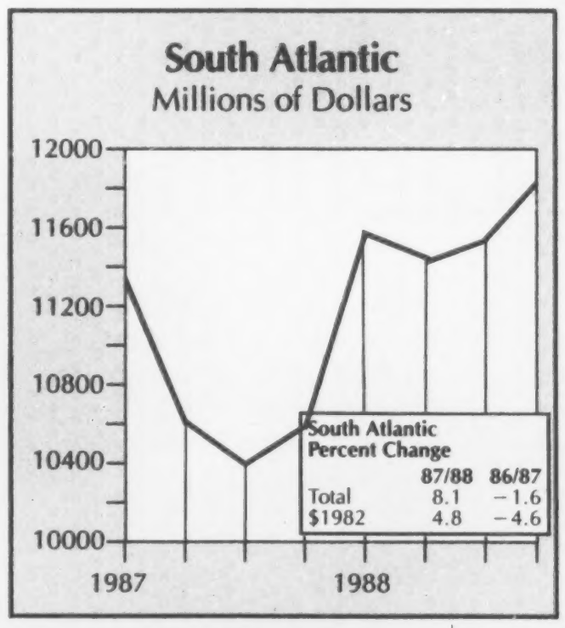
East North Central
Millions of Dollars



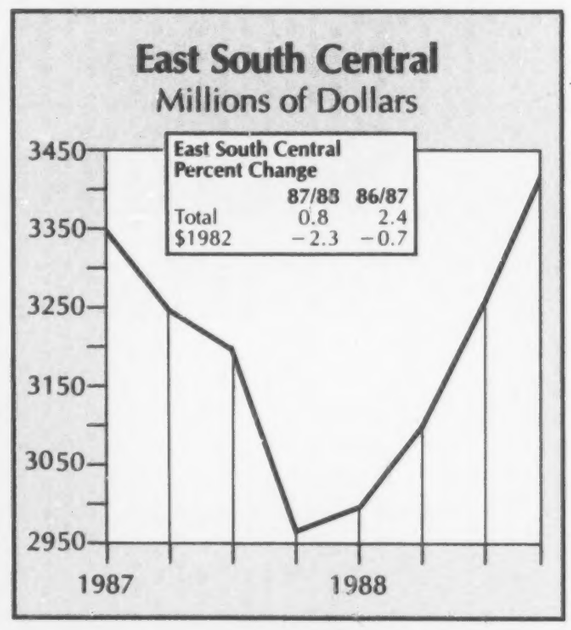
West North Central
Millions of Dollars



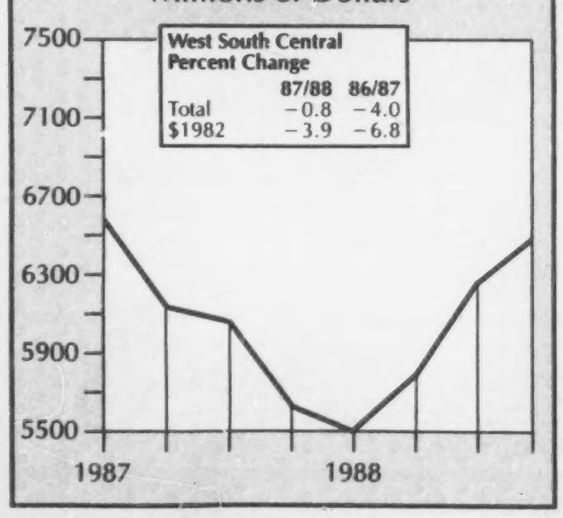
South Atlantic
Millions of Dollars



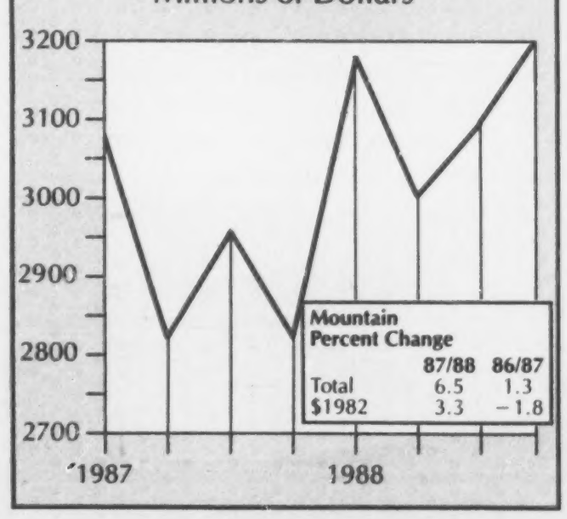
East South Central
Millions of Dollars



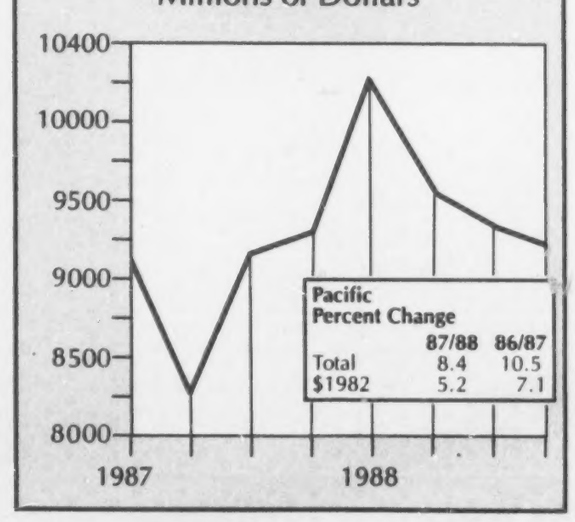
West South Central
Millions of Dollars



Mountain
Millions of Dollars



Pacific
Millions of Dollars



Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

housing

Housing market projections look gloomy well into '89

By an NHCN staff editor

NATIONAL REPORT—"I don't see a sustained turnaround until late 1989, early 1990."

That was the assessment of John Savacool, director of real estate and construction for the WEFA Group, who was quoted in *Investor's Daily* on May 19 about his projections for the housing market.

His assessment was made right after the Commerce Department released April start figures, which showed a decline of 7 percent in single-family construction, even though home building grew marginally to a seasonally adjusted rate of 1.56 million units, much of that growth coming from the highly erratic apartment construction sector.

Savacool's opinion was corroborated by an F.W. Dodge report, issued May 24, that housing construction was off "sharply" in the first quarter, falling 16 percent to 318,967 units, the lowest level in six years.

"The opening quarter . . . brought double trouble for the housing industry," said George Christie, Dodge's chief economist. "Last year's steady rise of mortgage rates took its toll on one-family building."

He continued that the interest rate drop since last October's stock market crash "is already over." But Christie held out some hope that there were still a few months of "improved one-family building before highest-cost mortgage money again becomes a barrier."

That the housing market has been slipping this year is no secret. Building has been off since the fourth quarter of 1987, and the National Association of Home Builders (NAHB) is now projecting a 1.49 million-unit year, 1.08 million being single-family homes, which would be 5.5 percent lower than last year. The decline is predicated on the anticipated rise in interest rates. Indeed, the consensus among housing experts attending the NAHB's Construction Forecast Conference in Washington was that mortgage rates would range between 11 and 11.5 percent by the end of the year, depending on how flexible the Federal Reserve is willing to be.

The one saving grace is that adjustable rate mortgage (ARM) rates have been falling since the beginning of the year to an April level of 8.62 percent.

Joseph Hu, executive vp and managing director of mortgage research at Shearson Lehmann Hutton, predicted at the conference that ARMs would account for more than three fifths of all mortgage originations this year.

Inflation takes off

Mortgage rates aren't the only thing the housing industry and dealers that serve it have to worry about, as inflation appears to be rearing its head again.

On May 21, the government released figures showing that the Consumer Price Index rose 0.4 percent to an annualized rate of more than 4 percent, and that it is expected to stay at that level throughout 1988. Oddly enough, the inflation spiral comes at a time when home prices have begun to fall off appreciably, so it's hard to tell whether price stability or hikes can be expected in the ensuing months.

In that month, the CPI for housing rose 0.3 percent.

All this gloom would have been bad news for many home improvement dealers a year ago. But one of the major industry shifts in 1987 was the move away from servicing the home building contractor in favor of selling to the remodeler, whose business is far less cyclical.

Indeed, the impact that housing in general has on the economy these days has been subjected to doubt. In the *Investor's Daily* article, James Christian, chief economist for the U.S. League of Savings Institutions, noted that "housing is not a leading economy anymore.

"We're making a transition to an export- and investment-led economy. The role that housing is playing, and certainly doing it well, is a supporting role."

This would be true for contractor-oriented home improvement dealers as well, many of which have seen the light of remodeling and have reverted to servicing that customer.

It remains to be seen, though, if retailers remain true to the remodeler if and when housing shows any signs of reviving, as was the case in the early 1980s.

> The consensus among housing experts attending the NAHB's Construction Forecast Conference in Washington was that mortgage rates would range between 11 and 11.5 percent by the end of the year.

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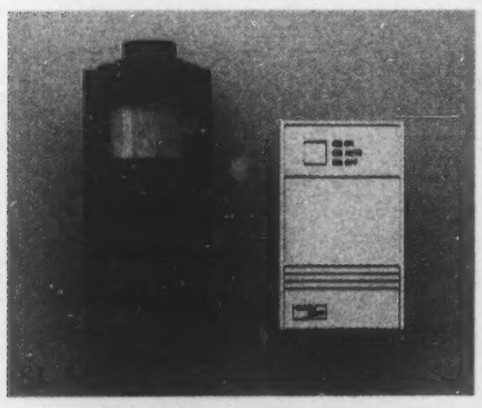
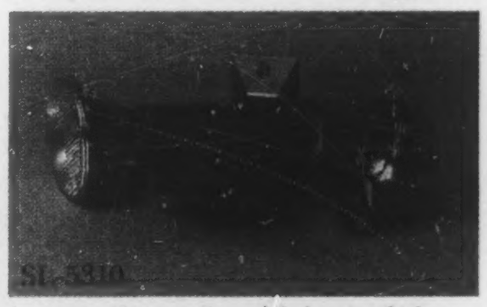
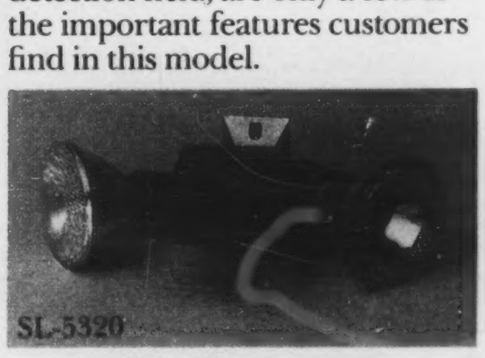


model SL-5420 is wireless, so it's easy to install. The detector may be placed up to 100 feet from the indoor or outdoor light it controls. With additional receivers, it can control multiple lights, making it one of the most versatile models in the security lighting market.

Good features and quality performance make the SL-5310 the leader in basic security lighting products. Sensitivity and time-off adjustments, plus a 4000 sq. ft. detection field, are only a few of the important features customers find in this model.





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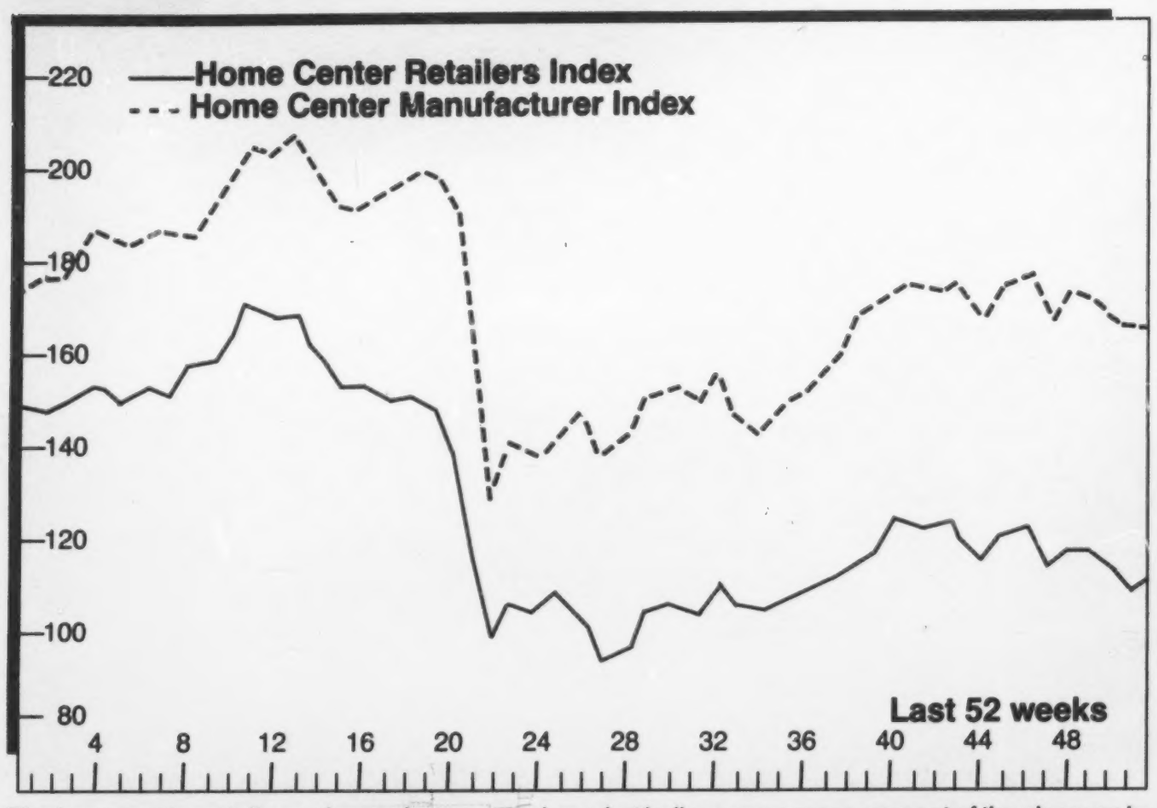
Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on May 13, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Majority of industry stocks fall

The stock price of 30 home improvement-related companies declined during the two-week period ended May 27, with 13 firms showing price gains and six remaining flat. Among retailers, Payless Cashways, whose stock is being bought up by a group led by investor Asher Edelman and Sutherland Lumber chairman Dwight Sutherland, had a gain of 16.2 percent to $22.38. National Lumber, whose earnings were off $500,000 in its latest quarter, saw its stock price jump 18.2 percent to $3.25. Most of the dealers' stocks had price declines, though, the most severe being the 10.1 percent drop for HomeClub parent Zayre.

Manufacturers fared worse, with only four of the suppliers tracked for *NHCN* by Media General having price increases. Masco Corp. led the charge with a 5.9 percent gain to $26.88; Newell's stock price rose 2.8 percent to $37. On the down side, Owens-Corning Fiberglas incurred the biggest price falloff of 8.2 percent to $18.25. Both Armstrong World Industries and Insilco saw their stock prices fall 6.3 percent. Surprisingly, USG, which has been battling to keep from being taken over, saw its stock price rise only 1.4 percent to $45.25, a signal that the bidding war may have ended.

Wholesalers tracked all showed modest price gains. Moore-Handley, which has been having profitability problems, enjoyed a 6.3 percent jump to $4.25; Palmer G. Lewis, which is coveted by two distributors looking to take it over, saw its stock price increase 18.9 percent—the highest among all companies tracked—to $26.38.

HOME CENTER MARKET SUMMARY

National Home Center News

Company and Market	Stock Market: 2-Weeks Ended 5-27-88	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.13	- .25	- 4.7	5.75	5.13	11.75	4.00	394	.98	.91	7.7	11.1	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc ..... M	6.38	- .63	- 8.9	6.88	6.38	10.00	4.13	8,384	3.21	2.28	40.8	12.8	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	17.75	.25	1.4	17.88	17.00	26.50	14.25	11,232	7.79	3.22	141.9	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.75	.50	2.9	17.75	17.00	26.75	15.50	575	.35	.33	6.1	15.2	.06	.3	NEW	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot ..... N	23.38	- 2.38	- 9.2	26.75	23.13	28.09	12.13	10,484	2.13	1.61	32.3	19.2	.12	.5	NEW	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc ..... N	42.25	.13	.3	42.75	40.25	54.00	29.50	8,182	2.19	1.18	85.6	12.1	1.72	4.1	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp ..... N	32.38	- .13	- .4	33.13	30.25	48.38	21.63	29,706	1.47	1.19	23.5	9.4	1.32	4.1	NEW	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos ..... N	19.50	- .75	- 3.7	20.25	19.00	29.38	15.25	6,333	1.60	.78	105.1	12.7	.44	2.3	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods ..... M	5.25	.00	.0	5.38	5.00	9.25	3.75	70	.52	.55	- 5.5	8.3	.00	.0	.....	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber ..... M	3.25	.50	18.2	3.50	2.75	5.75	2.50	234	.42	.49	- 14.3	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash ..... N	22.38	3.13	16.2	22.75	18.63	24.50	9.63	70,669	20.40	4.81	374.1	28.3	.16	.7	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	12.75	- 1.13	- 8.1	14.00	12.63	15.88	10.00	1,186	.81	.34	138.2	16.1	.52	4.1	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	33.50	- 1.13	- 3.2	35.00	33.00	59.50	26.00	408,467	10.79	1.58	582.9	8.2	2.00	6.0	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt ..... N	12.50	- .13	- 1.0	12.88	11.63	31.88	10.63	1,166	1.04	1.07	- 2.8	35.7	.00	.0	.....	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz ..... M	11.25	.00	.0	11.50	10.75	13.00	6.25	686	1.13	.58	94.8	14.8	.00	.0	NEW	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos ..... N	10.13	- .63	- 5.8	10.75	9.38	25.00	7.25	17,596	3.68	1.56	135.9	13.1	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber ..... M	15.00	.13	.8	15.38	14.38	18.75	8.75	1,005	1.72	1.49	15.4	10.1	.24	1.6	NEW	3 mos.	03-88	42.3	3.2	.8	- 20.0	.14	- 22.2	42.3	3.2	.8	- 20.0	.14	- 22.2
Zayre Corp ..... N	20.00	- 2.25	- 10.1	22.50	19.75	37.00	13.50	43,162	7.61	5.44	39.9	11.0	.40	2.0	NEW	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply ..... N	26.38	.38	1.4	26.38	25.88	30.25	19.75	205	.62	.57	8.8	9.5	.44	1.7	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley ..... M	4.25	.25	6.3	4.25	4.00	9.00	3.75	40	.16	.18	- 11.1	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	11.00	1.75	18.9	11.50	9.38	11.50	5.75	8,790	23.29	4.13	463.9	25.6	.28	2.5	NEW	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods ..... M	13.50	- .25	- 1.8	13.75	13.00	14.75	7.88	83	.40	.86	- 53.5	15.5	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.21	50.0	17.5	90.2	.4	33.3	.21	50.0
Am Standard ..... N	77.25	.25	.3	77.50	76.75	78.25	30.50	305	.10	3.70	- 97.3	18.4	1.80	2.3	.....	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark ..... M	8.38	- .03	- .4	8.53	8.00	14.09	5.91	412	.59	.22	168.2	10.7	.00a	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.09	- 40.0	96.0	11.0	4.4	- 17.0	.58	- 19.4
Armstrng Wrld ..... N	35.63	- 2.38	- 6.3	38.25	35.25	47.38	22.50	11,995	2.59	2.02	28.2	10.6	1.00	2.8	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker ..... N	20.88	.00	.0	21.38	20.25	26.50	13.00	20,103	3.44	3.08	11.7	16.1	.40	1.9	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	41.38	- 2.63	- 6.0	44.00	40.63	51.16	28.81	9,307	2.06	1.38	49.3	9.4	1.20	2.9	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl ..... N	32.50	- 1.25	- 3.7	34.38	31.63	44.63	21.75	25,879	2.72	1.77	53.7	7.2	1.00	3.1	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl ..... M	4.88	.13	2.6	4.88	4.63	18.25	4.63	872	1.71	.93	83.9	NE	.00	.0	NEW	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus ..... N	55.88	- .25	- .4	57.38	54.50	74.50	39.00	10,046	1.98	1.11	78.4	15.7	1.80	3.2	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	29.13	- .13	- .4	29.63	28.88	42.00	21.00	508	1.27	.75	69.3	11.4	1.40	4.8	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp ..... N	21.00	- .75	- 3.4	22.13	20.75	26.63	15.50	6,295	1.00	.56	78.6	11.8	.80	3.8	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	37.13	- .88	- 2.3	38.88	36.75	48.38	22.75	14,373	1.36	1.68	- 19.0	8.2	1.20	3.2	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp ..... N	18.63	- 1.25	- 6.3	19.88	18.63	28.13	14.00	1,713	.82	1.04	- 21.2	NE	1.00	5.4	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	28.88	- 1.13	- 3.8	30.50	28.13	39.75	21.50	5,157	1.35	1.12	20.5	7.1	.92	3.2	.....	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel ..... M	14.50	- .25	- 1.7	14.75	14.25	23.50	12.00	10,230	1.00	.55	81.8	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	2.00	.00	.0	2.13	2.00	5.38	2.00	3,264	1.36	1.19	14.3	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	26.88	1.50	5.9	27.50	24.88	39.25	18.75	25,639	1.93	.88	119.3	14.7	.40	1.5	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	5.75	.00	.0	6.25	5.75	12.50	5.50	98	.39	.26	50.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co ..... N	37.00	1.00	2.8	38.00	35.75	43.00	21.13	3,332	2.89	1.14	153.5	12.8	1.00	2.7	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	7.25	- .25	- 3.3	7.75	7.00	14.75	5.00	957	.62	1.14	- 45.6	NE	.10	1.4	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn ..... N	18.25	- 1.63	- 8.2	20.00	18.00	27.00	9.00	10,542	2.64	2.05	28.8	3.4	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem ..... A	12.38	- .13	- 1.0	12.88	12.38	17.75	9.00	1,399	1.25	.95	31.6	18.5	.12	1.0	.....	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot ..... N	18.25	- 1.50	- 7.6	19.63	18.00	27.25	9.75	2,003	1.68	1.30	29.2	7.4	.50	2.7	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp ..... N	27.50	- 1.50	- 5.2	29.75	27.25	39.25	21.00	3,096	1.16	.53	118.9	8.0	.92	3.3	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds ..... N	40.50	- 2.25	- 5.3	43.13	40.13	53.50	27.50	20,061	1.68	.84	100.0	11.5	1.20	3.0	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms ..... N	25.75	- .25	- 1.0	26.38	24.00	36.13	20.13	6,827	1.56	1.02	52.9	11.9	.64	2.5	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	27.88	.00	.0	27.50	26.25	36.63	21.25	2,792	.65	.58	12.1	12.9	.88	3.3	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	19.50	- .50	- 2.5	20.75	19.38	22.38	13.81	1,204	1.15	.63	82.5	11.1	.68b	3.5	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind ..... N	29.75	.00	.0	30.13	29.13	44.00	22.50	5,632	2.49	1.44	72.9	14.2	.12	.4	.....	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp ..... N	32.38	- 1.50	- 4.4	35.00	32.25	47.63	26.00	13,194	1.79	1.04	72.1	10.2	1.24	3.8	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp ..... N	45.25	.63	1.4	45.38	43.25	55.88	23.50	33,812	6.55	5.27	24.3	14.7	1.12	2.5	.....	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind ..... M	12.88	- .63	- 4.6	14.25	12.38	14.38	7.25	2,778	4.54	2.20	106.4	13.6	.14	1.1	.....	9 mos.	03-88	38.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.75	87.5
Weyerhaeuser ..... N	35.75	- 1.75	- 4.7	38.00	35.63	57.50	19.00	23,111	1.69	1.11	52.3	11.2	1.80	5.0	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	39.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

N.J. supplier seeks controlling interest of P.G. Lewis

(Continued from page 5)
shares not acquired in the tender offer will be purchased at $11 a share in a subsequent action.

Crane said neither it nor Huttig has any intentions to dismantle PGL or liquidate any of the company's assets after the deal is completed. In addition, after the merger is completed, John N. Anderson, chairman of PGL and Jim Ben, president, will stay in their present positions.

Huttig's parent said it has secured a $45 million commitment from Morgan Guaranty Trust Co. to pursue the PGL acquisition.

In its filing with the SEC May 23, Crane said the total amount of money required to buy all of PGL's outstanding shares, as well as its outstanding 6 percent convertible debentures due in 1996 at $1,100 net per $1,000 principal, is expected to be about $44 million.

But in its filing with the SEC, Bradco suggested that PGL is worth more than that. Bradco's documents state that its analysis will show that the $11 per share cash price offered by Huttig does not reflect the full value for PGL. As a result, Bradco said it will endeavor to secure financing that would enable it to offer more than $11 a share for controlling interest.

At the time of the filing, Bradco reported owning about 9 percent of PGL.

Anderson, PGL's chairman, said despite Bradco's filing the New Jersey company has made no offer of any kind except a request to examine PGL's records. Anderson said Bradco's intent to acquire only voting control could leave the majority of the shareholders without a buyer at whatever level Bradco's venture pushed the stock price. Anderson implied that such an eventuality would be unfair to the majority of the shareholders.

Anderson said PGL's board of directors has insisted that all shareholders be treated fairly and equally and that minority shareholders not be shortchanged after any acquisition. Although Bradco's intentions for controlling PGL are unclear, Anderson said Washington state law places severe restrictions on certain corporate activities if the board of directors of the targeted company does not support the takeover.

Thus, the ability to sell off assets or form mergers is restrained when companies are acquired through unfriendly takeovers in Washington.

Last year, PGL's sales jumped 16 percent to $217 million. Hutting grew by 27 percent to $351 million.

Bradco officials did not respond to phone inquiries.

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Ernst moves into phase two of remodel

(Continued from page 6)
nual volumes in excess of $5 million per store.

As part of the overall remodel effort, Ernst's merchandising executives reviewed every major vendor and category over the past year. Tom Vertetis, senior vp-merchandising, said this resulted in several new categories and suppliers as well as the deletion of thousands of items and the dropping of about two dozen suppliers.

"Some long-time suppliers were unhappy at our decision, but we had to give every vendor a fair chance at the business during the evaluation process," he said.

Vertetis said the review process was "difficult for all concerned," but he believes Ernst is now "well-positioned to reach its objective of being a full-line home center."

Several major suppliers are selling high volumes of merchandise to Ernst. "We're shipping Ernst increasingly large volumes and we hope to continue to expand our business," said Bob Cohen, executive vp of Keystone-Franklin, which has supplied Ernst with plumbing and other specialty items for more than 20 years.

"We're having a strong sales year with Ernst," said Scott King, vp for Dutch Boy Paints. "They have an aggressive management team."

This spring, vendors were apparently selling Ernst too much product. Because of an extraordinary demand for products in the remodeled stores, Ernst's Kent, Wash., distribution center became bottlenecked.

Mike Baumann, senior vp-finance, said to unclog the DC, the customary paperwork processing system was not adhered to "in an effort to support the demand at the stores. This led to an administrative nightmare."

Baumann said the distribution center was forced to ship merchandise at all hours of the day and night seven days a week. "The demand was so great, in fact, that we had to rent another 70,000 square feet of warehouse space in another building just to process all of the incoming merchandise," he said.

Suppliers worried about imports

(Continued from page 7)
insurance premiums had increased from 1987 to 1988, and over 25 percent had difficulty renewing their insurance.

The greatest portion of the respondents—36 percent—make and distribute hardware, followed by 27.2 percent that make tools and 20 percent that are lawn and garden producers.

Nearly 28 percent of those polled had annual volume under $5 million, 22 percent between $10 million and $25 million, and 22 percent over $50 million.

The survey is available on microfiche at the Congressional Information Service or can be obtained through contacting the American Hardware Manufacturers Association in Schaumburg, Ill.

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Vol. 14, No. 12 June 13, 1988

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Payless considers buyout to fend off raiders

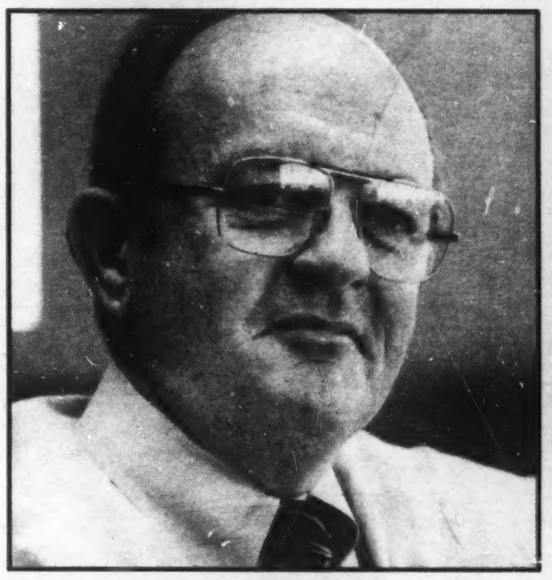
By an NHCN staff editor

KANSAS CITY, Mo. — Senior management of Payless Cashways confirmed they are mulling what could be the largest leveraged buyout of a publicly held retail chain in the home improvement industry's history.

Only days later, the investor group led by Asher Edelman sold 271,000 shares of Payless stock, reducing its stake in the home center chain to 9.1 percent from 9.9 percent. The stock was sold at $23.53 per share, bringing Edelman $6.4 million for what some analysts suspect is a war chest he is building to conduct a hostile takeover bid against Centel Corp.

At the same time, Edelman requested that Payless provide his investor group with confidential financial data that, in turn, would allow him to acquire the chain "on terms more advantageous to shareholders than management may be willing to offer."

The LBO of the the 200-unit Payless is being considered by Payless' management to keep the company out of the hands of corporate raiders who would seek to break it up.



The two combatants square off for battle. David Stanley is chairman of the 200-unit chain. NHCN photo

Asher Edelman leads the investment group seeking to take over Payless Cashways. Photo courtesy of Columbia Business School

(Several presidents of home center chains told *NHCN* they had been approached by Edelman personally or by members of his investment group about their interest in purchasing parts of Payless if he took it over. "It seems like he's called everyone in the industry," said one executive.)

If successful, Payless' management would look to take the company private at a cost "in the mid-$20s" per share, the company stated June 9. On June 10, Payless was the third most active stock on the New York Stock Exchange, with more than 2 million of its shares traded. Its stock price rose on news of the proposed buyout plan to 25⅝, up 1⅛, but dropped to $24.38 once the Edelman group sold part of its stake.

It is estimated that Payless eventually may need to raise in excess of $850 million to take the firm private.

"Payless . . . emphasized that there can be no assurance that any such proposal would be made or if any such proposal would be made, as to the form or value of the consideration," a company release stated. Payless officials were not available for comment.

(Continued on page 62)

Eclipse's management in doubt as result of Chapter 11 filing

Steve Feinstein, president of Eclipse Industries. NHCN photo

By Gary S. Ruderman

ST. LOUIS — Eclipse Industries, the embattled owner of five home centers in the St. Louis area, conceded it could not work out an agreement with vendors it owes more than $6 million and sought protection from creditors in Federal Bankruptcy Court.

The Chapter 11 petition with St. Louis federal court June 10 was not unexpected by vendors who, for at least a year, had experienced major problems with Eclipse.

The filing capped what sources familiar with Eclipse and court documents characterize as a wild 15-day ride for the firm that included:

- A fight by Eclipse president Steve Feinstein to regain control of the company from Don Navarro, a Dallas businessman who holds 80 percent ownership, according to court records. This fight has left in question who is actually running the company, as factions for both sides jockey for negotiation position;
- A suit filed by Feinstein charging Navarro with stock fraud;

(Continued on page 58)

Sales of treated lumber kick into high gear

By Milford Prewitt

NATIONAL REPORT — After a cold spring when there was little product movement, treated lumber sales are as hot as the weather, retailers report.

From Massachusetts to Texas, home center lumber buyers said last year's impressive selling season might be eclipsed by this year's voracious demand for treated, which, some say, did not begin until a few weeks ago.

One contributing reason for the boom, dealers and manufacturers agree, is an industrywide effort to promote products to the "deck after market."

Ed Linehan Jr., lumber buyer for Somerville Lumber, the Somerville, Mass.-based subsidiary of Payless Cashways, estimated that his company's treated lumber sales are up 40 percent from last year and show no signs of slowing down.

(Continued on page 61)

Fred Meyer merges divisions to form single hardlines group

By Brad Altman

PORTLAND, Ore. — The Fred Meyer chain has consolidated its Home and Garden Centers and General Merchandise Division into a single Hardlines Division, eliminating seven district manager positions.

The decision to make the changes occurred before the arrival in April of former K mart executive Frederick M. Stevens, who assumed the ceo and chairman posts of Fred Meyer when its long time chair-

(Continued on page 62)

Coast lands TG & Y franchise account

By Edward McKinley

DENVER — CoastAmerica, the the franchised hardlines wholesaler based here, has landed one of the biggest franchise accounts imaginable: the giant 1,300-unit McCrory Stores.

The companies have picked McCrory's TG&Y stores in five small markets to test hardware departments big enough to rival the size of many hardware stores.

CoastAmerica and McCrory executives agreed that beefing up hardgoods lines will enhance the attraction of TG&Y stores.

"This is a tremendous opportunity for our companies to cooperate and create a truly dynamic shopping environment for the entire family," said Richard Bard, CoastAmerica's chairman and ceo.

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Dealers urged to examine timber harvesting proposals 40

NEWSBREAKS

WORKERS STRIKE NORTHWEST MILLS: As expected, the expiration of labor contracts led to strikes at some 20 Northwestern mills during early June. Hardest hit was Willamette Industries, whose workers left 10 mills. Champion International saw workers leave six unionized mills. The strikes had an immediate effect on the price of [illegible] and structural panel products. Strikes are also expected at Weyerhaeuser and Boise Cascade mills, where labor and management have been negotiating.

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INDUSTRY UPDATE

Handyman remnants re-emerge

SAN DIEGO — Handyman is gone but not forgotten in this competitive home center market.

The Handyman chain was dissolved in late 1986 and in recent months its last remaining store locations have been remodeled and reopened by one-time competitors.

On June 17-19, Dixieline Lumber was scheduled to hold a grand opening of its 10th store, a former 50,000-square-foot Handyman outlet in the San Diego County city of Vista.

Last March, National Lumber opened its 20th store on Mira Mesa Boulevard, its second San Diego County outlet. This 66,000-square-foot store was owned by Handyman but never opened because Handyman quit the DIY business.

Ill. debut set for Office Square

TROY, Mich. — Office Square, K mart's new warehouse-style office concept, will debut late this summer in Palatine, Ill., with a 25,000-square-foot unit, to be followed by a second store in the Chicago area.

Office Square is being developed by officials with Builders Square out of their San Antonio, Texas, headquarters.

The retail venture will sell office supplies, furniture and business equipment at 10 percent to 50 percent off manufacturer's list prices.

Stor stops catalog distribution

LOS ANGELES — Stor is no longer distributing its 1988 catalog, which competitor IKEA claims contains "material copied without authority from the IKEA catalog."

But Stor stopped distributing the catalog before a judge in federal district court here could rule on IKEA's lawsuit seeking to ban the catalog.

This is the latest development in what is expected to be a long legal dispute between the two specialty furniture retailers. IKEA has brought a suit against Stor for copyright infringement (*NHCN*, May 30).

Stor was launched by former home center industry veteran Harvey Knell last October. Stor plans to open its second unit this November in Tustin, Calif., in a regional shopping center which will also feature The Home Depot and Home Express (NHCN, May 2, 1988).

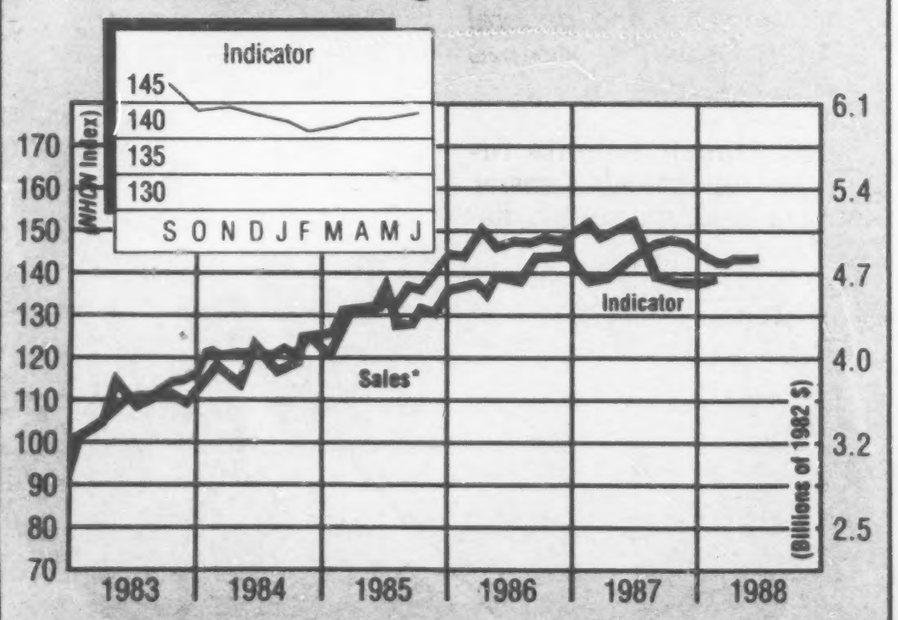
IKEA opened its first U.S. store in Plymouth Meeting, Pa., in 1985 and its second store in 1986 in Dale City, Va.

Nuway names product director

BALTIMORE — Nuway Distributors, the wholesale supplier based here, has named Neal Tiffany to the post of director of merchandising.

He worked for Emery-Waterhouse in Maine and is now responsible for purchasing and inventory control, and researching and developing new merchandising programs.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in building materials sales in the second quarter due to weakness in single-unit housing starts and resales. The Business Watch Column (page 51) highlights the long-term outlook for building materials sales.

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Chase-Pitkin creates positions in merchandise division shuffle

By an NHCN staff editor

ROCHESTER, N.Y. — Chase-Pitkin has reorganized its merchandising division and promoted several executives to newly created positions, said Stephen Underwood, president.

The new jobs include a director of merchandising who will supervise three merchandisers. Buyers will report to the merchandisers.

Merchandisers will meet with new vendors and consider new items, closeouts and special promotions.

Buyers will handle reorders, store inventories, price changes and merchandise and advertising maintenance.

"This reorganization was done to make job functions more efficient through specialization and to create more opportunity to see new vendors and product offerings," Underwood said in a prepared statement.

As director of merchandising, James Mannix will supervise all merchandising and buying.

James Hoffman, Michael Wallace and Vincent Pallifrone were promoted to the new position of merchandiser.

Hoffman is merchandiser for hardlines and decor, including hardware, tools, plumbing, electrical, paint, floor and wall, frames and housewares.

Wallace became merchandiser for seasonal categories, including garden, growing stock, leisure living, trim-a-tree, furniture and shelving.

As merchandiser for building materials, Pallifrone will take charge of commodity and decorative building materials, millwork, and kitchens.

This management activity comes at a time when the chain has recently opened its newest unit in Newark, N.Y., a 55,000-square-foot store with a 35,000-square-foot drive-through lumberyard and a 2,200-square-foot kitchen and bath design center. Chase-Pitkin plans a 55,000-square-foot replacement unit for its Gates, N.Y., store to be completed by this fall.

New Mid-Cape is largest on Cape Cod

By an NHCN staff editor

ORLEANS, Mass. — Mid-Cape Home Centers now has the largest store on Cape Cod since opening its newly expanded Hyannis unit on June 3.

The 15,000-square-foot extension almost doubled the original store's area, bringing it up to 27,000 square feet.

This $600,000 renovation has given Mid-Cape the space to add an entirely new millwork department occupying 1,200 square feet, and expanded displays of kitchens, bath, flooring and appliances.

The seven-unit chain is optimistic that the expansion will increase business in that unit by 20 percent this year, from its $6 million total in 1987, with a further 30 percent increase in 1989.

The Hyannis store and the newly remodeled unit in Kingston, Mass., off the Cape, could inject healthier sales into the company, which had a flat year in 1987 with total sales of $47 million.

Mid-Cape hopes that the Hyannis store will boost the consumer trade from its current 20 percent of total sales to 35 percent. But the kitchen and bath displays were designed for both builder and consumer customers.

The unit has strengthened the independent's hold in the town where its main rival, Hinckley Home Centers, has its base. Other market players include Grossman's, which has a small, predominantly retail store, as well as several independent hardware stores.

Although millwork has the company's second highest product sales with $12 million in 1987, it has been rather neglected in terms of merchandising and sales force.

(Continued on page 61)

Photo courtesy of Mid-Cape Home Centers

Mid-Cape Home Centers' newly expanded store in Hyannis, Mass., features a new millwork department. Its central service desk's roof is made of of its own manufactured trusses.

Lloyd announces N.Y. unit openings

By an NHCN staff editor

DANBURY, Conn. — Lloyd Home and Building Centers has finally announced the opening of its two new stores in Monroe and Wappingers Falls, N.Y. These were originally expected to open this spring.

"We put them on hold because last year's losses indicated some systems' defects in inventory management," said Tom Cawley, president of the 34-unit chain. "We wanted to make sure we had this taken care of before opening."

The 50,000-square-foot Monroe store is scheduled to open on Aug. 30, and will be the chain's largest store to date. Wappingers Falls, which has a 30,000-square-foot selling area, is slated to open Oct. 15. Both are build-to-suit units.

No date has been announced for the third store opening in Cromwell, Conn., which still needs additional renovations according to Cawley.

Lloyd's is pursuing a policy of "business as usual" even though its parent, American Maize Products Co., put it up for sale on April 6. The parent is looking for buyers with the resources to "purchase and operate the business as an ongoing concern," according to its first-quarter statement.

A company official told *NHCN* last month that several companies had expressed interest in purchasing Lloyd's, though he declined to specify who they were and whether their interest extended to only parts of the company or all 34 of its stores.

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Studies send mixed signals on housing's lumber usage

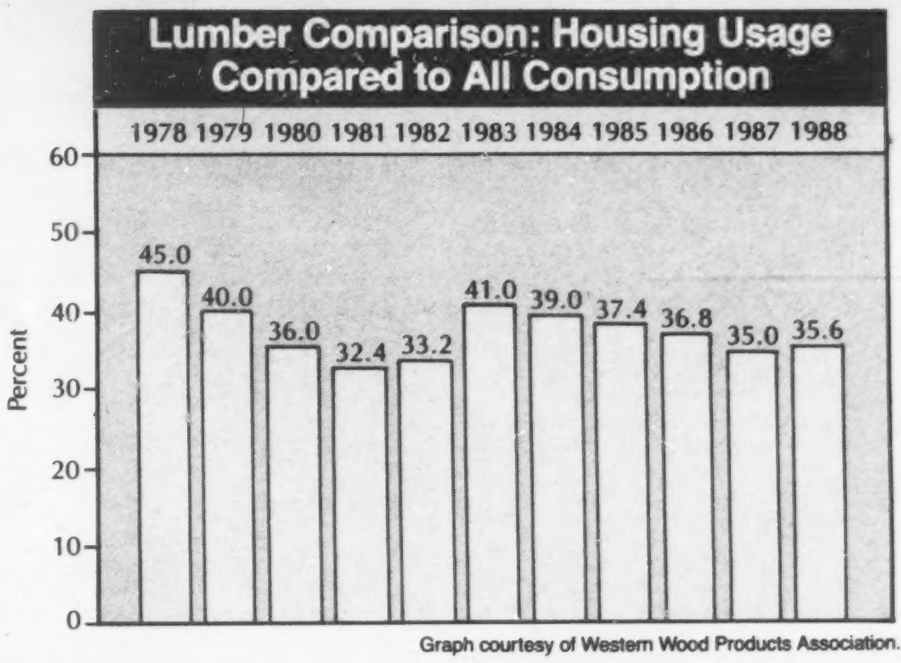
By an NHCN staff editor

PORTLAND, Ore. — The Western Wood Products Association has released two studies that support as well as dispute the contention that less lumber is going to the new housing market.

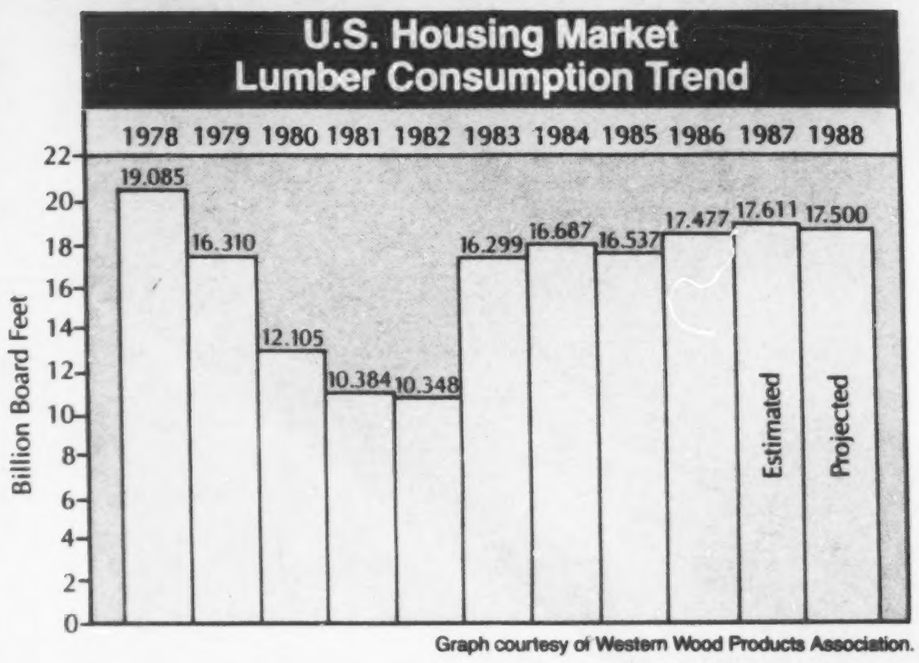
The studies track a 10-year period, beginning with the start of the recession in 1978 to projections for 1988, to show the patterns of lumber consumption in new housing both as a percent of total consumption and as a broad board foot measure.

When measured by the board foot, 1979—considered the base or normal year for housing starts at 1.76 million units—saw 16.3 billion board feet go to new residential construction. This was 40.5 percent of a total consumption of 40.2 billion board feet.

But in 1987, a year that witnessed an 8 percent decline in new housing starts from the level 10 years ago, 17.6 billion board feet of lumber went into new housing. This means, according to the WWPA's Economic Services Division, that more lumber is being used per start than was used a decade ago.



Graph courtesy of Western Wood Products Association.



Graph courtesy of Western Wood Products Association.

On the other hand, when the WWPA's study examined lumber use in new housing as a percent of total consumption, the pattern supports the observation that less lumber is making its way to the new housing market.

Ten years ago, 45 percent of all lumber was consumed in the new housing market. If projections hold for 1988, the WWPA is calling for 35.6 percent of all lumber to be used in residential construction. Last year, 35 percent went to the new housing market.

According to the association's report, the highest level of lumber consumption this decade in the new housing market was in 1983, the same year the economy began improving. Housing's need for lumber that year was 41 percent of total consumption.

"Ever since World War II, the demand for housing has had a tremendous influence on forest products producers," said Mac Epley, vp of the WWPA. "The problem with that, though, was this made the industry a victim of new housing's cyclicality.

"So ever since the last recession, the industry has been marketing its products to non-housing markets. The produc-

(Continued on page 61)

Lobbyists urge continued funding of Forest Service

By an NHCN staff editor

WASHINGTON — Forest products lobbyists told a House subcommittee that continued funding to support the U.S. Forest Service (USFS) is needed in light of the record levels of consumption and production of lumber.

The House Subcommittee on Interior Appropriations, which oversees financing for the Department of Interior which, in turn, funds the USFS, approved a spending bill whose next step will be submission to the Senate.

Affects public-land harvest

The support of the measure is an important one for both forest products producers and lumber and building materials retailers because the extent of financing to the USFS is a reliable harbinger of the amount of timber capable of being harvested on federally owned forest land.

At the heart of the spending bill was the amount of money the USFS has to administer contracts for timber harvests.

Spokesmen from the National Forest Products Association (NFPA) presented some new data during discussion on the bill that underscored the need for producers to have more access to federal timber resources.

So far this year, the harvest on national forest lands has exceeded the pace of last year's record of 12.7 billion board feet, NFPA data reported. In the first six months of this year, harvests have exceeded the volume cut during the same period last year by 200 million board feet.

The pace is rapidly reducing the supply of public timber and is jeopardizing the ability of manufacturers to attract investment into their companies and maintain continuous production schedules, the NFPA argued. Many companies currently have less than a two-year supply under contract.

DIY consuming big bite

Because of the growing shortage of available timber, prices are high for federally harvested logs and it has created some shortages. The value of the timber sold this year is averaging 26 percent higher than the value sold in 1987, 62 percent higher than that in 1986.

(Continued on page 61)

Darrer promoted to exec vp and gm of Moore's division

By an NHCN staff editor

ROANOKE, Va. — Norman Darrer has been promoted to executive vice president and general manager of Moore's, the 70-store Grossman's division based here.

Darrer had served as senior vice president and general merchandise manager of Moore's since April 1987.

He will continue to report to Robert L. Harrow, eastern region president of Grossman's, the Braintree, Mass.-headquartered parent company.

The promotion comes at a time when Moore's is engaged in a $10 million chain-wide renovation program, part of Grossman's three-year, $75 million upgrade of its 256 stores.

Last year, Darrer's first in the Moore's division, he said he sought advice from store employees on how to improve the chain.

The renovations reflect those suggestions with increased assortments in paint, hardware and lighting, he said.

Norman Darrer will now serve as executive vp and general manager of Moore's. NHCN photo

Other improvements include better brands, easier shopping and improved display, Darrer said.

Darrer came to Moore's with extensive experience at Grossman's and other stores.

After joining Grossman's in 1977, Darrer became a regional manager. In 1979, he was promoted to vice president and regional manager. He became senior vice president of operations in 1983.

He left the company for a period in 1985 and 1986 to become the operating executive of Mr. HOW Warehouse, the ill-fated warehouse home center division of Service Merchandise that expanded explosively but was eventually sold off.

When he returned, Darrer served as senior vice president of Grossman's Bargain Outlets Division before transferring to Moore's.

Before joining Grossman's, Darrer worked in retailing and finance for 18 years.

He started at Arlens department stores, spent 12 years with Bradlees and two years with Mammoth Mart, where he was vice president for operations and administration.

Darrer is an Army veteran and holds a bachelor's degree in accounting from Rhode Island's Bryant College.

McLendon's family affair thrives despite competition

By an NHCN staff editor

WOODINVILLE, Wash. — McLendon Hardware was slated to open its third unit in a 30,000-square-foot retrofitted grocery store in this Seattle suburb in June, said Robert W. McLendon, president and ceo.

The Renton, Wash.-based chain is a family-run business that posted sales of about $20 million last year at its 100,000-square-foot flagship store and an 80,000-square-foot unit in Summer, Wash.

Both stores have approximately 60,000 stockkeeping units including lumber. Wood products contribute about 18 percent of sales.

"Our customers think we're a hardware store, but we're really a home center," McLendon said.

The Woodinville unit will stock the same merchandise assortment as the two larger stores, McLendon said. "We pride ourselves on our depth."

McLendon Hardware has managed to withstand the growing competition in the Pacific Northwest.

"I don't know why we're surviving so nicely with HomeClub just two miles away," said McLendon of one major local competitor that arrived two years ago. Ernst Home & Nursery also opened what, at the time, had been its prototype store in Woodinville in 1987.

> "Our customers think we're a hardware store, but we're really a home center. We pride ourselves on our depth."
>
> —Robert W. McLendon, *president and ceo, McLendon Hardware*

McLendon Hardware claims its competitive advantage is customer service. The company has been in the market since 1928. Many of its employees are part of the family.

"McLendon Hardware was started by my mom and dad," Robert McLendon explained. "I am one of their six children." His sister, Dorothy Thompson, is Renton store manager. Sixteen of the founders' grandchildren are on the company payroll.

Customers are loyal: "They only leave us when they die," said McLendon. "Hopefully, their children will continue to patronize us."

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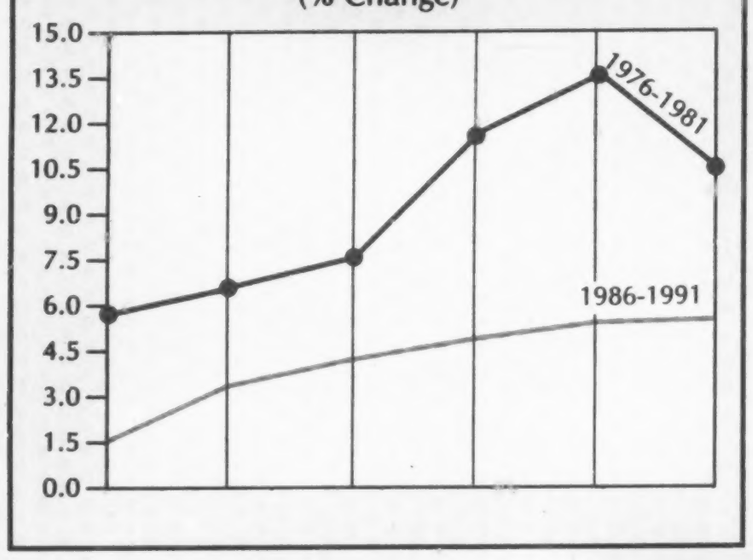
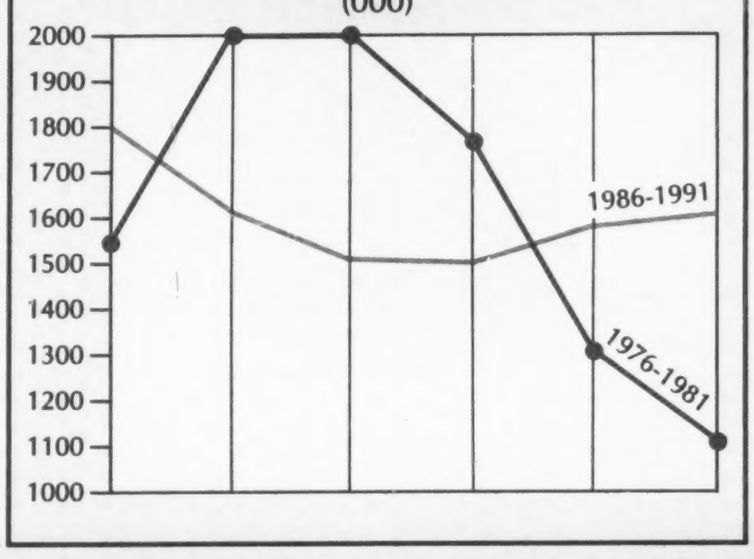
Business Watch

Section 4

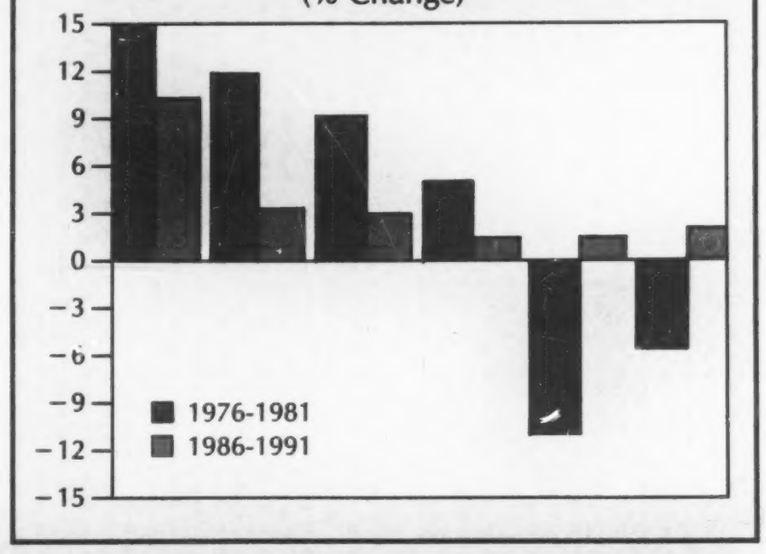
As consumer prices rise slowly . .



. . . and housing eases . . .



. . . building material sales will post small gains



Economic growth and material sales to slow in '89-'90

By Richard E. Mount
Special to NHCN

Economic growth and building material sales will slow during 1989 and 1990, but without falling into a recession. By 1991, faster growth should prevail. Because of higher inflation through this period, building material sales, in dollar volume, will rise at a 6 to 7 percent rate.

The current economic climate could be characterized by favorable developments for increased capital spending and net exports. On the negative side, housing, office and hotel construction, domestic energy drilling activity and auto production are undergoing retrenchment. Inflation is tame but rising with a resulting jump in interest rates.

Richard E. Mount

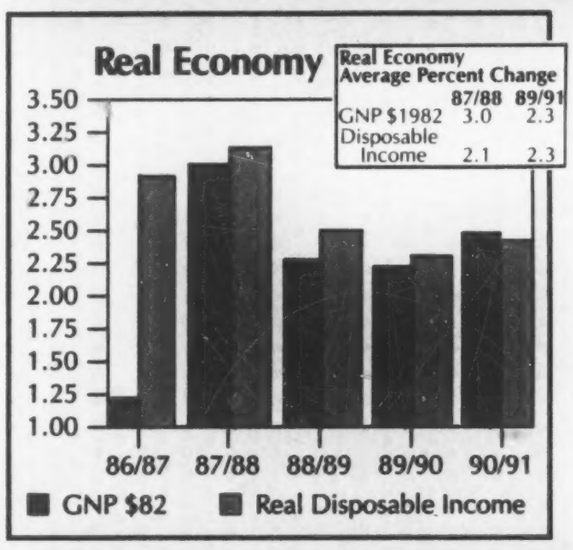
For 1989, GNP growth will slow to 2.4 percent after 3.1 percent in 1988. Capital spending and net exports will not advance as rapidly as in 1988 because of the stabilization of the dollar. Single unit starts and resales will remain under pressure from the continuing rise in mortgage rates.

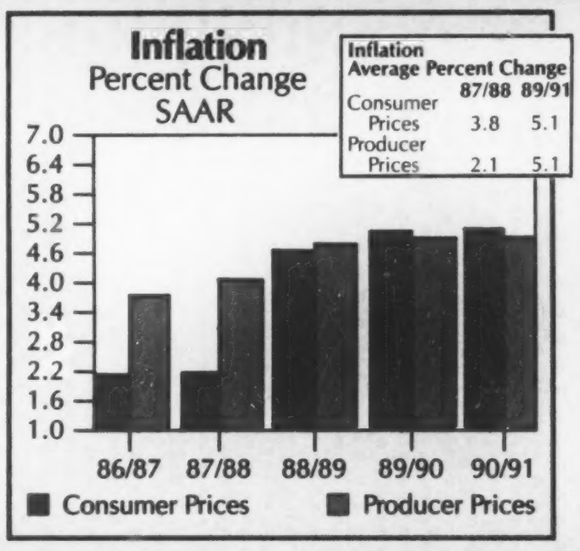
By 1990, inflation expectations will begin to be re-examined in light of the slow GNP growth during 1989 to 1990. While capital spending gains will be less than in 1989, total housing starts will begin to recover. Inflation should be slightly higher in 1990, especially because of rising energy prices. The Consumer Price Index could be up 5.1 percent. As financial markets recognize the continued wide gap between long-term interest rates and inflation, mortgage rates will begin to decline, increasing housing affordability.

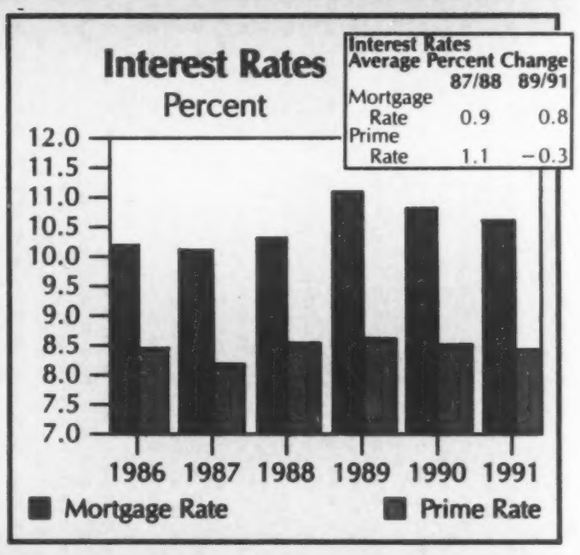
For building material retailers, unit sales are likely to be in the 1 to 1.5 percent range during 1989 to 1990 because of the slow rise in consumer income and softness in housing and resales. This rise would be well below the 2.4 percent gain expected for 1988. Inflation would be higher during this time, about 5 percent, increasing annual dollar sales volume by 6 to 7 percent.

Richard Mount is president and chief economist with Mount Economic Consulting.

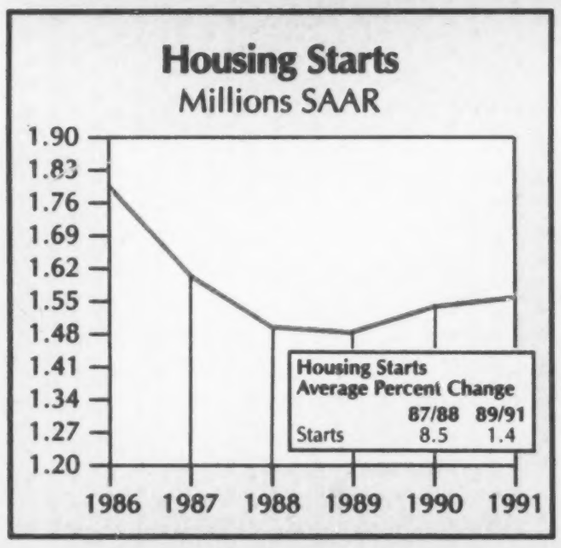
General Business Conditions

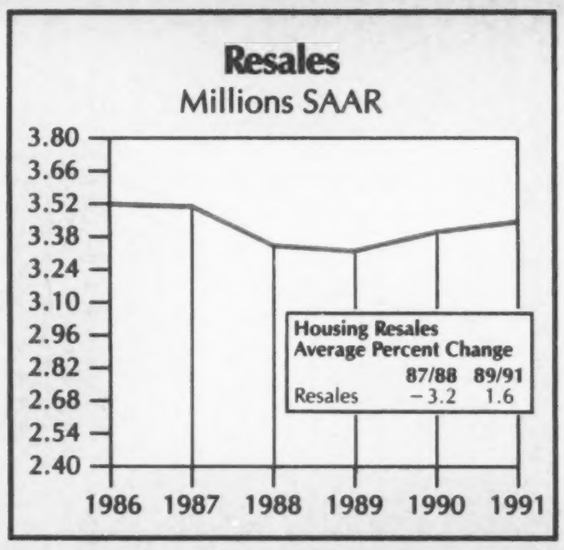




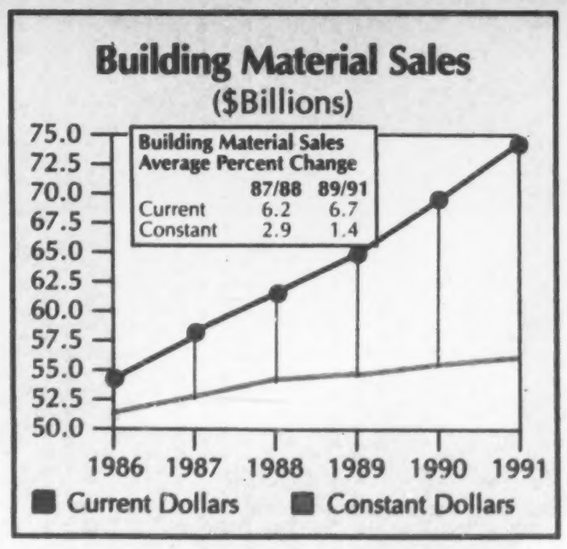


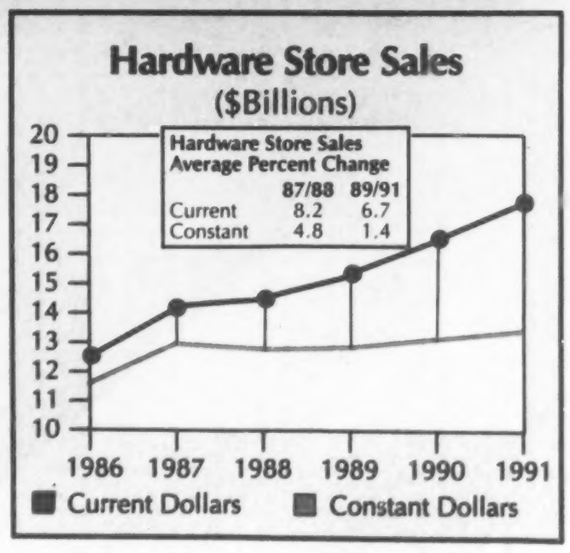
Housing





Retail Trade Activity





Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

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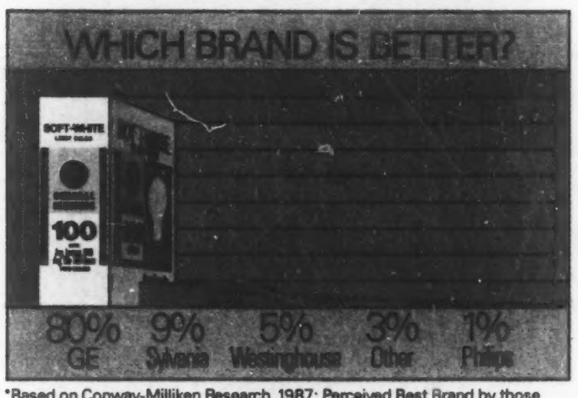

*Based on Conway-Milliken Research, 1987: Perceived Best Brand by those who say there is a difference.

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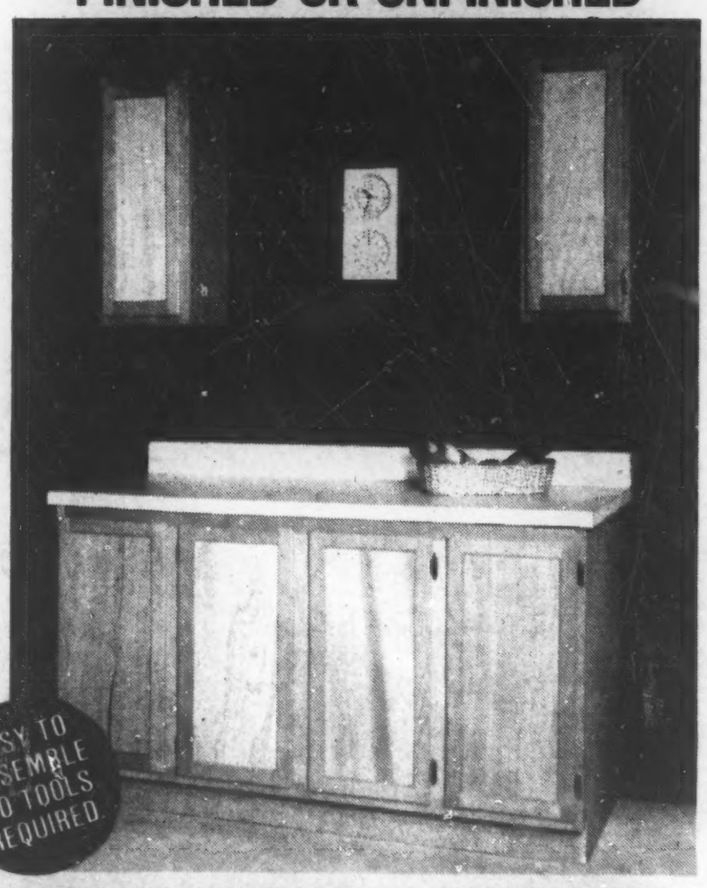

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Business Watch

housing

GE unveils concept house made mainly with plastic components

By John Caulfield

NEW YORK — Yet another "home of the future" has sprouted on the horizon. But this time, it's made of plastic.

After studying home building industries worldwide for three years, GE Plastics, based in Pittsfield, Mass., early this month unveiled a model of its "Living Environments" concept house, with many components—walls, roofing, flooring and subsystems—constructed with high performance engineering polymers as opposed to wood, metal or concrete.

A development scale model of GE Plastics' house. The actual house will be 3,000 square feet and should be ready by July 1989. photo courtesy of GE Plastic

The actual house, designed by the California architectural firm Richardson Nagy Martin, will be 3,000 square feet and is expected to be completed by July 1989. Ground breaking will occur this fall about a mile from GE's headquarters, and the total project is expected to cost $4 million. It will serve as a laboratory for GE to test the home building efficiencies of its (reusable) polymer materials and to experiment with new methods of construction.

The reason that GE, a leading supplier of thermoplastics, appliance and automotive parts and electronics, has decided to help create what senior vp Glen Hiner calls "the ultimate consumer good" is simple: Housing, as currently produced using traditional materials, has become too expensive for the majority of Americans to afford.

"The building industry is open to fundamental change because it is being squeezed between rapidly rising costs and intensifying competition," said Uwe Wascher, GE Plastics' vp-marketing.

He suggested that if inflation rears its head again, "this nation may be confronted with a historic situation: housing priced far beyond the means of all but the wealthiest consumers," which Wascher insisted would be "a prescription for economic and social disaster" because it would affect the housing industry and those products related to home ownership in which home centers specialize.

GE's officials are quick to note, however, that it is not getting into home building, but wishes to work in partnership with those manufacturers whose expertise is in this field. For example, the company has already had discussions with Weyerhaeuser and U.S. Gypsum; Ryan Homes will supply the major panels for the project, and is working with GE to look into new ways to make standardized, factory-produced building components.

"We're talking about our developing alliances not only with businesses within the industry but also with businesses outside the industry," explained Joe Reed, GE Plastics manager of industrial development. "We're talking about creating a whole new fabricating industry."

Myriad applications

Reed and Living Environments program manager Michael Dickens detailed some main features of the polymer concept house:

- The focal point of the concept home will be what GE Plastics is calling its "Total Environmental Control" system that provides four functions: air conditioning, water conditioning, energy management and gas control. The home's construction will be integrated into the system, which would in turn determine where the polymer products would best be installed.

In conjunction with Steve Winter Associates in New York, GE Plastics will also experiment with radiant wall panels that are heated by forced hot air running behind the wall. Dickens envisioned polymer wall and floor panels that include conduits for plumbing and electrical that come in sections which could be removed and retrofitted;

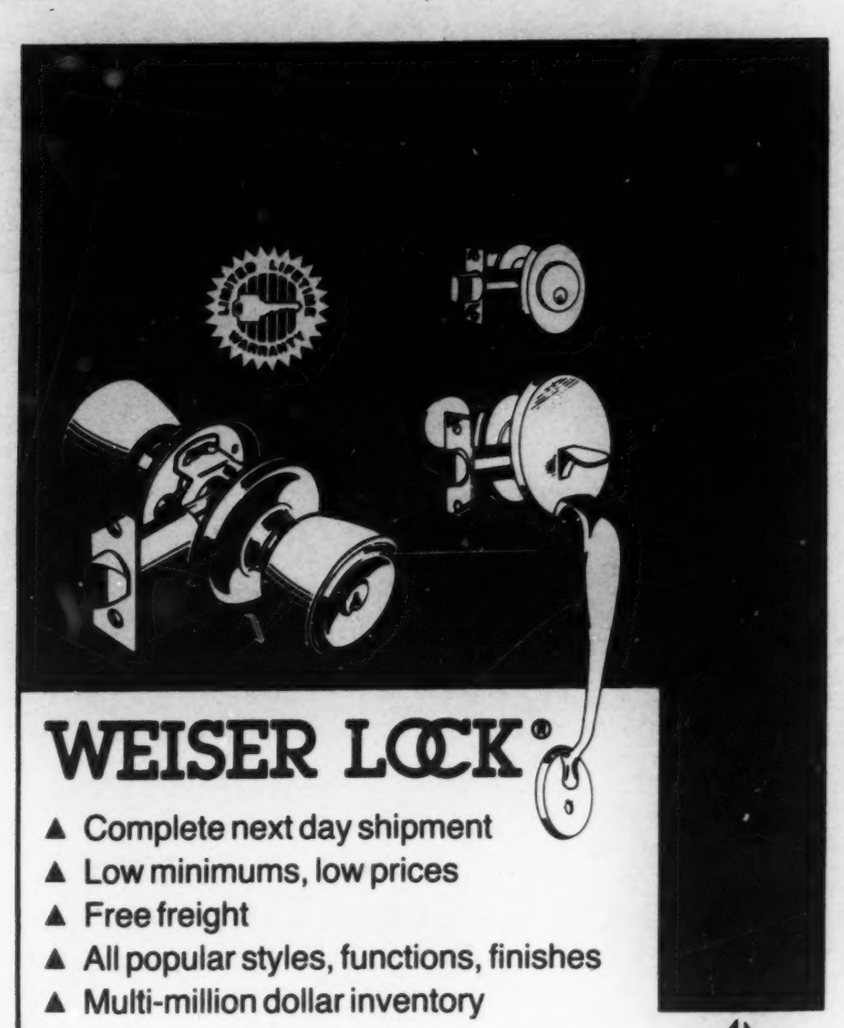
- Injection mold processing could also be used to mass produce window grills and doors, whose panels can be computer designed and be made flame retardant;
- Engineered polymer forms would be employed for concrete foundations;
- Engineering polymers would be used for ceilings and roofs that could eliminate the need for trusses, and allow more flexibility for the installation of gables, skylights and other features.

GE Plastics executives noted that the home which ultimately uses engineering polymers in its construction is unlikely to closely resemble the 1988 display model. And they were emphatic that GE didn't intend to replace traditional building materials, but to bring these products together with plastics to substantially reduce the overall cost of a home.

Those costs could not be determined at this early date by GE's officials. But they did address the concern that petroleum-based polymers would cost considerably more than lumber and other commodities by explaining that the chemicals industry only consumes 4 percent of all petroleum produced (and therefore is less impacted by price fluctuations); and added that the real cost savings in this house concept come when its lighter weight components are mass produced for extensive construction application.

The one question that was not resolved, though, is how willing builders will be to begin using what for nearly all would be completely alien products. However, Wascher thought that polymer components would become more acceptable as home builders and contractors became familiar with their utility and cost effectiveness.

"It may not happen this year or next. It may not happen in three years or five. But it will happen. And probably sooner than later," said Wascher, who estimated the "rapid penetration" of plastics would occur "in the early to middle 1990s."



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Builders Square expects first annual profit

By an NHCN staff editor

CHICAGO — K mart will squeeze its first annual profit out of its Builders Square subsidiary this year "come hell or high water," the parent's chairman told investment analysts.

K mart chairman Joseph Antonini told analysts here June 1 that the corporation's specialty division would try to cut expenses and trim inventory at the 118-unit Builders Square chain, confirmed Orren Knauer, director of investor relations for the Troy, Mich., giant.

Confirms expansion plans

Knauer confirmed Builders Square plans to add 15 units to the chain in 1988, slowing expansion that has taxed the parent since it bought the warehouse chain in 1984.

Antonini expects Builders Square comparable store sales to grow 7 percent to 12 percent annually. And, over the next five years, the chain sales are projected to hit $3 billion.

Last year, Builders Square accounted for sales of $1.4 billion, or 40 percent of K mart's specialty division's total of $3.5 billion.

The other specialty components, Payless NW drugstores, Waldenbooks and a small Canadian company, Bargain Harolds, brought in the rest. *Drug Store News* estimates Payless returned $1.2 billion in sales last year.

Last year, K mart reported sales of $25.6 billion.

Knauer said in 1988 the specialty group will include its MAKRO warehouse club and a new hypermarket entry, American Fare, slated to open in December.

By 1990, Antonini expects specialty units to contribute 15 percent to 20 percent of the chain's profits, up from the current 5 percent. And he told analysts the specialty groups would increase their contribution to corporate volume from the current 14 percent to the 20 percent-to-25 percent range.

Waxman Ind. announces stock split

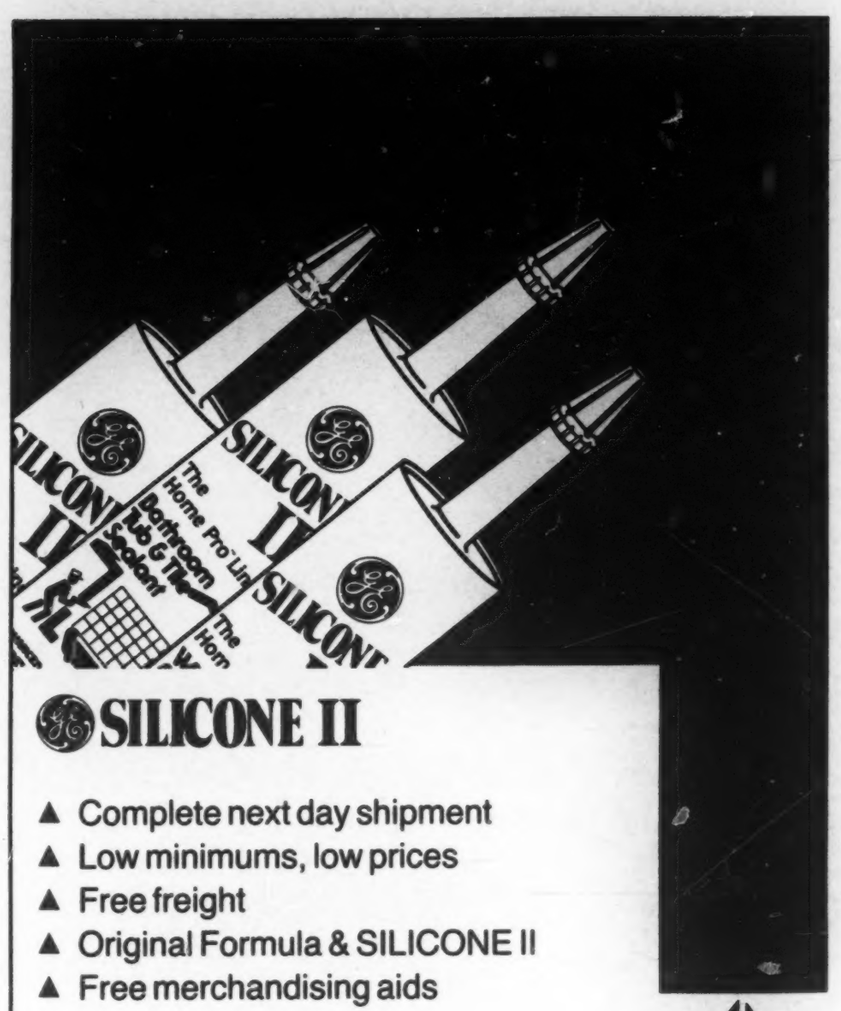
By an NHCN staff editor

BEDFORD HEIGHTS, Ohio — Waxman Industries announced a three-for-two split on its common and class B stock July 1 to shareholders of record June 17.

The company previously had announced a hike in its July 1 dividend, which was based on pre-split shares, to an annual 35 cents a share versus 25 cents.

The company stated that future dividends will reflect the split.

President Armond Waxman said the increase in shares available for public trading would "stimulate greater retail and institutional interest."



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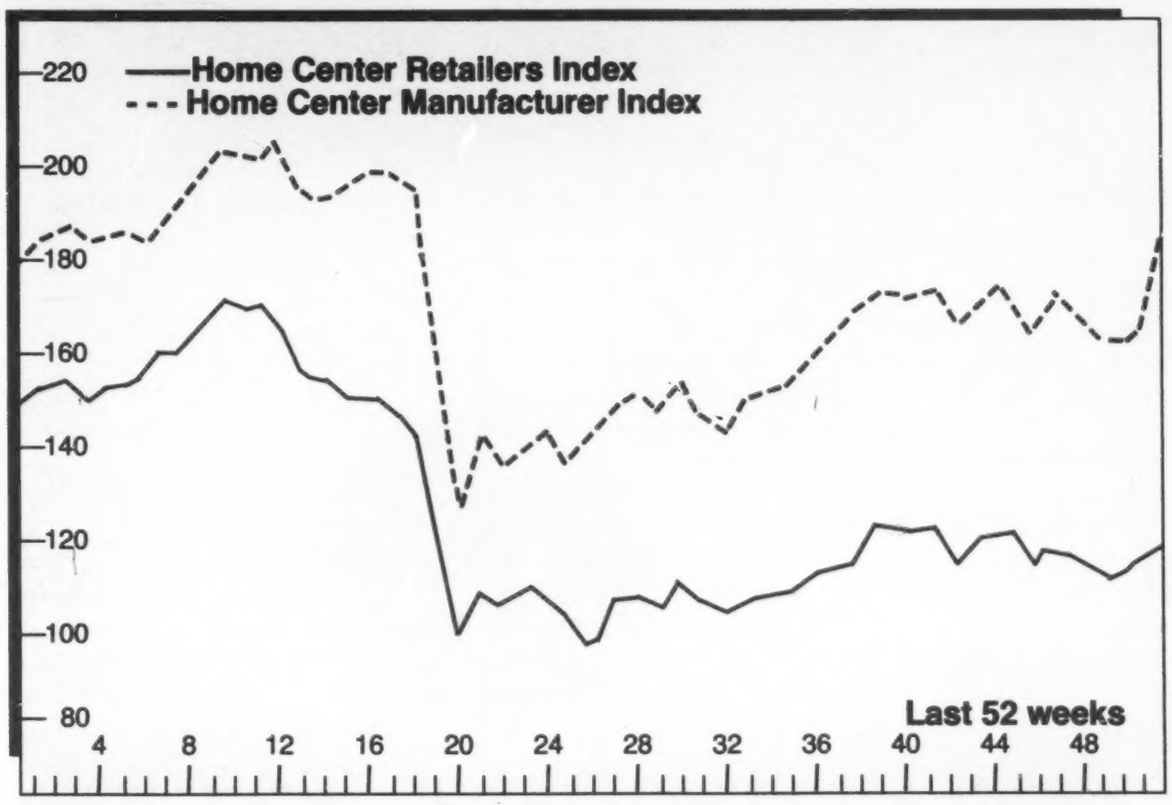
Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on June 10, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Stocks make comeback moves

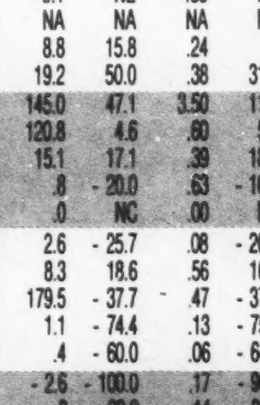
The home improvement industry made a strong comeback during the two-week period ending June 10. Of the 54 stocks tracked for *NHCN* by Media General, only nine posted losses, and three remained flat. The remainder showed gains for the reporting period.

Among retailers, Payless Cashways saw a 14.5 percent rise in its stock price as management considered a leveraged buyout to fend off corporate raiders Asher Edelman and Dwight Sutherland. It closed at $25.63 per share, with more than two million shares traded on June 10 alone.

It was The Home Depot, however, that posted the strongest gains among retailers for the period, up 18.7 percent to close at $27.75, and even Lowe's showed a stronger gain than Payless Cashways, up 16 percent to $22.63. National Hardgoods showed the greatest loss, down 11.9 percent.

All of the wholesalers suffered losses for the period, even Palmer Lewis, which is being eyed for takeover by two distributors. It was off by 2.3 percent to $10.75. Moore Handley was down 5.9 percent to $4 per share, and Hughes Supply closed down 1.4 percent to $26.

Manufacturers regained lost ground from two weeks ago, with only two still showing negative numbers. DeSoto enjoyed the strongest gains, up 14.2 percent. Weyerhaeuser also posted strong gains, up 13.8 percent to 27.13, but this is still down from its closing price of $35.75 two weeks earlier. Only American Consumer Products and Clairson International suffered losses, while American Standard and Mor-Flo remained flat.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 6-10-88	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	5.00	- .13	- 2.4	5.38	5.00	11.75	4.00	1,020	2.54	.84	202.4	10.9	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc M	6.25	- .13	- 2.0	6.75	6.25	10.00	4.13	5,835	2.23	1.59	40.3	12.5	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A M	19.25	1.50	8.5	19.50	17.75	26.50	14.25	6,593	4.57	3.02	51.3	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.00	1.25	7.0	19.00	17.50	26.75	15.50	359	.22	.24	- 8.3	16.2	.06	.3	.....	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot N	27.75	4.38	18.7	27.75	23.38	28.09	12.13	12,980	2.64	1.51	74.8	22.7	.12	.4	.....	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc N	43.38	1.13	2.7	44.50	41.75	54.00	29.50	4,905	1.36	1.11	22.5	12.4	1.72	4.0	NEW	fiscal	02-88	793.1	21.7	56.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp N	34.38	2.00	6.2	34.63	32.25	48.38	21.63	38,230	1.90	1.05	81.0	10.0	1.32	3.8	.....	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos N	22.63	3.13	16.0	22.88	19.38	29.38	15.25	4,600	1.16	.77	50.6	14.1	.44	1.9	NEW	3 mos.	04-88	590.6	3.8	15.1	17.1	.39	18.2	590.6	3.8	15.1	17.1	.39	18.2
Natl Hardgoods M	4.63	- .63	- 11.9	5.25	4.50	9.25	3.75	290	2.14	.50	328.0	7.3	.00	.0	.....	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber M	3.25	.00	.0	3.50	3.00	5.75	2.50	185	.33	.43	- 23.3	NE	.00	.0	.....	*	01-88	NC	NC	NC	NC	NC	NC	158.8	NC	.0	NC	.00	NC
Payless Cash N	25.63	3.25	14.5	26.13	21.75	26.13	9.63	56,989	16.45	5.72	187.6	32.4	.16	.6	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc N	13.38	.63	4.9	13.63	12.63	15.88	10.00	482	.33	.29	13.8	16.9	.52	3.9	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck N	35.63	2.13	6.3	36.38	33.00	59.50	26.00	67,612	1.79	1.58	13.3	8.8	2.00	5.6	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt N	13.38	.88	7.0	13.50	12.63	31.88	10.63	2,352	4.47	1.88	137.8	NE	.00	.0	NEW	3 mos.	04-88	73.8	- 6.5	1.1	- 74.4	.13	- 75.0	73.8	- 6.5	1.1	- 74.4	.13	- 75.0
Strober Organiz M	11.88	.63	5.6	12.25	11.50	13.00	6.25	473	.78	.45	73.3	15.6	.00	.0	.....	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos N	10.38	.25	2.5	10.38	9.88	25.00	7.25	10,647	2.23	1.40	59.3	NE	.00	.0	NEW	3 mos.	04-88	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0
Wolohan Lumber M	14.50	- .50	- 3.3	15.50	14.38	18.75	8.75	1,588	2.72	1.47	85.0	9.7	24	1.7	.....	3 mos.	03-88	42.3	3.2	.8	- 20.0	.14	- 22.2	42.3	3.2	.8	- 20.0	.14	- 22.2
Zayre Corp N	21.13	1.13	5.6	21.63	19.88	37.00	13.50	29,643	5.23	5.27	- .8	11.6	.40	1.9	.....	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply N	26.00	- .38	- 1.4	26.75	25.88	30.25	19.75	383	1.15	.56	105.4	9.2	.44	1.7	NEW	3 mos.	04-88	116.5	21.6	2.1	5.0	.65	12.1	116.5	21.6	2.1	5.0	.65	12.1
Moore Handley M	4.00	- .25	- 5.9	4.75	3.88	9.00	3.75	63	.26	.18	44.4	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer M	10.75	- .25	- 2.3	11.00	10.75	11.50	5.75	905	2.40	4.23	- 43.3	25.0	.28	2.6	.....	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods M	10.50	- .31	- 2.9	11.00	10.41	11.81	6.31	827	3.18	.94	238.3	15.0	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.17	54.5	17.5	90.2	.4	33.3	.17	54.5
Am Standard N	77.25	.00	.0	77.63	76.75	78.25	30.50	1,058	.34	2.33	- 85.4	18.4	1.80	2.3	.....	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark M	8.50	.13	1.5	8.50	8.25	14.09	5.91	164	.22	.14	57.1	10.9	.00a	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.09	- 40.0	96.0	11.0	4.4	- 17.0	.58	- 19.4
Armstrng Wrld N	40.25	4.63	13.0	41.25	35.63	47.38	22.50	17,209	3.72	2.03	83.3	12.0	1.00	2.5	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker N	21.75	.88	4.2	22.75	21.00	26.50	13.00	28,493	4.87	2.55	91.0	16.7	.40	1.8	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade N	45.63	4.25	10.3	45.88	41.38	51.16	28.81	11,008	2.44	1.38	76.8	10.4	1.20	2.6	NEW	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl N	35.38	2.88	8.8	35.88	32.00	44.63	21.75	33,741	3.55	1.69	110.1	7.8	1.00	2.8	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl M	4.50	- .38	- 7.7	4.88	4.50	18.25	4.50	542	1.07	.64	67.2	NE	.00	.0	.....	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus N	60.00	4.13	7.4	60.38	56.38	74.50	39.00	7,919	1.56	1.06	47.2	16.9	1.80	3.0	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc N	33.25	4.13	14.2	34.00	28.88	42.00	21.00	1,239	3.11	.71	338.0	13.0	1.40	4.2	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp N	21.13	.13	.6	22.88	20.75	26.63	15.50	10,264	1.64	.80	173.3	11.9	.80	3.8	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific N	40.00	2.88	7.7	40.25	37.13	48.38	22.75	19,717	1.86	1.55	20.0	8.8	1.20	2.0	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp N	19.38	.75	4.0	19.88	18.63	28.13	14.00	3,042	1.46	.96	52.1	NE	1.00	5.2	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific N	30.63	1.75	6.1	31.13	28.63	39.75	21.50	8,193	2.14	1.13	89.4	7.6	.92	3.0	.....	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel M	16.25	1.75	12.1	16.38	14.63	23.50	12.00	17,675	1.73	.56	208.9	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp N	2.13	.13	6.3	2.13	2.00	5.38	2.00	3,688	1.54	1.17	31.6	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp N	29.63	2.75	10.2	29.75	26.75	39.25	18.75	30,342	2.29	.92	148.9	16.2	.40	1.4	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds M	5.75	.00	.0	6.50	5.75	12.50	5.50	667	2.68	.46	482.6	NE	.01	.2	NEW	3 mos.	03-88	55.4	- .2	- .4	- 100.0	- .18	- 100.0	55.4	- .2	- .4	- 100.0	- .18	- 100.0
Newell Co N	40.38	3.38	9.1	40.50	36.75	43.00	21.13	1,210	1.05	1.07	- 1.9	14.0	1.00	2.5	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc N	7.88	.63	8.6	8.00	7.13	14.75	5.00	3,836	2.50	1.11	125.2	NE	.10	1.3	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn N	19.63	1.38	7.5	19.75	18.38	27.00	9.00	6,121	1.53	1.47	4.1	3.7	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.56	NC	632.0	NC	28.0	NC	.56	NC
Ply-Gem A	13.25	.88	7.1	13.50	12.25	17.75	9.00	948	.85	.75	13.3	19.8	.12	.9	.....	3 mos.	03-88	88.4	26.6	3.4	3.0	.30	3.4	88.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot N	19.25	1.00	5.5	19.63	18.13	27.25	9.75	1,662	1.39	1.01	37.6	7.9	.50	2.6	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp N	29.88	2.38	8.6	30.50	27.75	39.25	21.00	3,955	1.48	.55	169.1	9.7	.92	3.1	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds N	43.38	2.88	7.1	44.13	40.50	53.50	27.50	19,057	1.60	.84	90.5	12.3	1.20	2.8	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms N	27.13	1.38	5.3	27.88	25.88	36.13	20.13	4,949	1.13	.85	32.9	12.5	.64	2.4	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works N	29.00	2.13	7.9	29.50	27.00	36.63	21.25	6,906	1.61	.60	168.3	13.9	.88	3.0	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds N	21.88	2.38	12.2	22.00	19.50	22.38	13.81	1,956	1.86	.64	190.6	12.4	.68b	3.1	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind N	31.38	1.63	5.5	31.63	29.63	44.00	22.50	9,454	4.17	1.58	163.9	14.9	.12	.4	.....	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp N	35.63	3.25	10.0	35.75	32.63	47.63	26.00	16,212	2.20	1.05	109.5	11.2	1.24	3.5	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp N	46.63	1.38	3.0	46.63	45.00	55.88	23.50	50,232	9.73	5.29	83.9	15.1	1.12	2.4	.....	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind M	14.38	1.50	11.7	14.63	12.88	14.63	7.25	2,043	3.04	2.18	53.2	15.1	.14	1.0	.....	9 mos.	03-88	36.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.75	87.5
Weyerhaeuser N	27.13	3.28	13.8	27.13	24.00	38.34	12.69	47,860	1.56	.76	105.3	13.7	1.20	4.4	NEW	3 mos.	03-88	1855.5	14.7	114.2	12.1	.36	- 28.0	1855.5	14.7	114.2	12.1	.36	- 28.0

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data are primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Chats Provided by Media General Financial Services Inc., Richmond, Va. 23219

After cold spring, sales of treated lumber kick into gear

(Continued from page 1)

"This has been an extremely good selling season so far," Linehan said, "[because] we've had a lot of successful promotions for both dimensional products and the specialty treated products."

The specialty treated products—such as hand rails, stair stringers, ballisters, plant boxes, bench kits, picnic table kits and lattice work—are all fueling an after deck market.

"Last year our customers built their decks, this year they're doing fancy things to them," said Rick Serrotos, lumber buyer for the three-unit Brown Lumber, in Algoma, Wis., in that state's scenic Door County.

Serrotos noted that the request for deck treatment products and specialized treated wood products are as strong as that for dimensional lumber itself.

"In an area like this, where the average house has a view of the Lake [Michigan], homeowners spend a lot of time and money on decks," he said. "It's good business for us."

Phil Mansell, lumber buyer and marketing director for Williams Brothers Lumber, Atlanta, said treated lumber sales are booming even though the 10-unit chain is primarily contractor oriented.

Mansell said the company is enjoying hefty sales movement led by both homeowners and remodelers who are building decks for others.

Stocking quality product

"It is extremely strong," Mansell said. "It's running better than last year."

Linehan, the Somerville Lumber buyer, attributed the success his company has had with treated lumber on buying good quality, visually appealing materials.

"We are lucky in that we have three quality-conscious suppliers," Linehan said. "The key is that you have to have quality. The consumer demands it today."

Manufacturers are hearing the call for good looking treated lumber as well.

One company—Rentokil in Norcross, Ga.—is promoting a treated lumber product that inhibits mold build-up while inventory is sitting on the yard.

The product, called Supa-Timber, is a mold inhibitor that allows retailers to treat their lumber inventories on the premises.

Tom Fitzgerald, Rentokil's national sales manager, said the one-time treatment allows the retailer to maintain a visually clean piece of lumber up to the point it is sold.

One million new decks a year

After the product is sold to the consumer, a wealth of deck care products are available to maintain the surface appearances. Wolmanized and Osmose, the two dominant licensing wood treating chemicals, are both manufacturing a broad lines of deck maintenance products.

Jim Moran, a spokesman for Koppers, the Pittsburgh building materials supplier that markets the Wolman chemical treating license to independent treaters, said the company's weather resistant and water repellant treatment products have been popular items from consumers in the past and prompted the company to create its Wolmanized Deck Care Center for retailers. The center is an endcap that stocks Wolman deck care products.

"We are definitely going after the after-deck market," Moran said. "After all, there are 25 million decks in America and 1 million new ones built a year. That's a lot of people who will need help and that's good business."

The Wolman Division of Koppers estimates the aftermarket for wood deck products at $206 million.

Robert Tanner, director of marketing for Hoover Treated Wood Products, a Ply-Gem Industries subsidiary based in Thompson, Ga., which is one of the country's largest independent treated lumber producers, said demand for treated dimensional products this season has been encouraging. He attributed the growth to deck product demand.

"It may be a fad, but I hope it's a long-term fad," Tanner said.

EPA steps in

Amid all the giddiness over treated lumber sales, a more sobering mission continues of informing consumers about the chemicals that are used to make the product.

George Eliades, president of the Society of American Wood Preservers (SAWP), Falls Church, Va., said the Environmental Protection Agency's order that the industry informs shoppers about the chemicals in treated lumber is gaining wider compliance.

The Consumer Awareness Program, which produces consumer information sheets, are being circulated widely by treaters and wholesalers.

A survey by the SAWP found that 79 percent of lumber dealers were aware of the CAP program and 70 percent were participating. This is in contrast to the participation and awareness levels of treaters, which is 100 percent on both departments.

But Eliades added there are some noteworthy examples of dealers trying to conform with the CAP program. He pointed to Hechinger, for example, which recently ran an advertising supplement with a box on the treated lumber page informing shoppers that information is available about preservatives.

Coast lands TG & Y franchise account

(Continued from page 1)

Philip Lux, president and ceo of York, Pa.-based McCrory, added that "Coast to Coast [the name under which CoastAmerica's franchised dealers operate] will help us broaden our customer base and meet the needs of these local communities."

Department size is varied but dramatically large, said James R. Holland Jr., CoastAmerica executive vp and cfo.

In 15,000-square-foot TG&Y stores, for example, the companies are testing hardware departments of between 5,000 and 7,000 square feet, depending upon store layout, Holland said.

He noted that his company's Coast to Coast dealers operate stores varying from 2,000 to 18,000 square feet.

The test departments, using the Coast to Coast Total Hardware name, are slated to open late this summer in Lawton, Okla.; Harlan, Ky.; Gallup, N.M.; Edenton, N.C., and Folkston, Ga.

TG&Y management will make merchandising decisions with CoastAmerica's advice.

McCrory spokesman Alan Barrington told *NHCN* that Coast's logos will be used outside the stores, but the departments won't be separated from the rest of the stores.

The expanded hardware departments will boast wider assortments of hardware, automotive supplies, paint, sporting goods, DIY household items and electronics.

"They are a large, sophisticated franchise," Holland said of McCrory and TG&Y.

Barrington added that Coast will also help train the new departments' managers.

If the tests prove successful, TG&Y could choose to use similar departments in hundreds of stores, Holland said.

(In related news, McCrory has also agreed in principal to lease lighting departments to Tempo Lighting, a division of SOI Industries in Miami.

(Tempo officials are surveying approximately 100 TG&Y and McCrory stores.)

A major commitment to the hardware format could come within a year, Holland said, and would probably work best in small markets.

Negotiations lasted "a couple of months" before the companies agreed to the deal.

McCrory Stores, a $1.8 billion division of McCrory Corp., is one of the nation's largest 5 & 10 retailers, operating stores under the names J.J. Newberry, TG&Y, McLellan, H.L. Green, Kress, Silver, Elmore, Britts, Kittinger and McCrory.

Through the Coast to Coast subsidiary, CoastAmerica franchises nearly 1,000 retail hardware stores, mostly but not exclusively in rural communities. The company works with 250 home and auto stores, using the names Coast to Coast Auto and OTASCO. Last year, CoastAmerica's sales were $354.3 million.

Mid-Cape is largest on Cape Cod

(Continued from page 2)

In the future millwork will be merchandised separately rather than as part of lumber and building materials. It will be allotted a specialist sales staff, similar to the company's policy in its key areas of kitchen, bath, flooring and appliances.

Mid-Cape will shortly begin retrofitting its Dennis, Mass., store to enlarge its millwork department and then may work on its Orleans unit. These two are the chain's highest yielding stores.

Due to the large size of the Hyannis store, Mid-Cape has placed its customer service desk in the center. A power aisle runs right down the middle into the drive-through yard, which was part of the original store and remains a popular feature for most customers.

The Hyannis store marks a new departure in color scheme for the chain with yellow gondolas instead of beige, and red endcaps, adding "more pizzaz" according to vp-operations Doug Bohannon.

Studies focus on lumber usage

(Continued from page 3)

ers used to say, 'Give me a year with 1.6 million housing starts and I'll do great.' Well, now they can say the same with lower housing starts and still do well."

Although housing starts are expected to decline over the coming years, the WWPA does not necessarily view this with alarm for forest products producers. In fact, the WWPA's report suggests that long-term trends point to an increase in lumber demand well into the next century.

"New factors have changed the historic demand equation," the report stated. "Housing will play an important role in future demand trends, but at least for now, not in the same manner as it used to."

The figures the WWPA has amassed to support the view for increased lumber demand into the future is an argument the association will present in its debate with forest preservationists who support timber harvesting restrictions (*see related column, page 40*).

If the WWPA is correct, the association's numbers contradict those of environmentalists who have been arguing that demand for forest products is on the decline and, therefore, tree cutting should decline proportionally.

Forest Service still needs funding

(Continued from page 3)

"The market is clearly signaling an indisputable fact that the supply of national forest timber is inadequate to meet this country's growing demand for wood products," said Mark Rey, vp of the NFPA.

Rey has attributed the boom in lumber consumption to both domestic and foreign demand.

The demand for wood products, which comes despite a decline in home-building activity, is spurred by the "repair and remodeling of existing homes by do-it-yourselfers, the fastest growing component of wood product demand," the NFPA statement asserted.

"The repair and remodeling market for wood products accounts for a larger share of total consumption than was the case a decade ago," an NFPA lumber industry profile reported. "Nearly a third of total softwood lumber demand can be attributed to this market segment, up from less than 20 percent 10 years ago."

Sr. vp-merchandising Swanson leaves Lowe's

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Robert L. Swanson has resigned as senior vp-merchandising of Lowe's, effective June 10.

The soft spoken, 54-year-old Swanson, known as well for his resemblance to former President Carter as his merchandising acumen, declined to comment on his reasons for leaving the industry's largest chain he joined five years ago from Montgomery Ward.

"I left on good terms with the company, and I resigned on my own volition," he said.

Wendall Emerine, Lowe's executive vp, in a prepared statement referred to Swanson as the "chief merchant" for the 296-unit chain. Emerine added that Swanson would continue to serve as a consultant for an indefinite period "to help us fill in what is a significant gap."

In an interview with *NHCN*, Emerine said that Swanson's departure "was not all that sudden. Bob and I have had an ongoing dialogue for several months about what direction we want the company to take into the 1990s in terms of product assortment, displays, and even philosophically, and we weren't in total agreement on a number of points."

During Swanson's tenure at the chain, Lowe's grew from $1 billion in sales to $2.6 billion in 1987. "When I arrived here in 1983, we were stocking stores with only 20,000 square feet. But now we've opened stores as large as 60,000."

Also during this period, Lowe's continued to get a higher percentage of its total volume from retail transactions, a shift Emerine expected to continue under Swanson's successor.

Swanson said his future plans were uncertain, but he asserted he wasn't interested in consulting full time. He is considering several options that include remaining in the home improvement field. He also noted that, at 54, he's got many years of productivity left. "I have a father who's 92 and still active."

Payless Cashways considers buyout to fend off raiders

(Continued from page 1)

Edelman and partner Dwight Sutherland, president of competitor Sutherland Southwest, have been buying Payless stock over the past several weeks.

Following the Payless announcement, Edelman was quoted in the *Wall Street Journal* that the stock price would have to be higher if Payless's chairman David Stanley were to succeed.

Neither was available for comment.

Analysts believe a "mid-20s" offer for Payless would be too low. That price wouldn't offer sufficient incentive to Payless' biggest institutional shareholders to get behind a buyout requiring as much as $100 million in debt service.

But analyst Ward Lindenmeyer of Sutro & Co. in San Francisco believes that at a higher price, perhaps $28 to $30 a share, Stanley could pull it off. Analyst Bo Cheadle of Montgomery Securities, San Francisco, scoffed at a $25 per share price tag and has predicted Payless was worth $30 to $35 per share based on the pretax cash flow power.

"Like buying a car, you don't offer what you're willing to pay the first time out," said Cheadle.

Lindenmeyer of Sutro said Payless is an attractive LBO candidate, and he compared it to the LBO of Denny's, a national restaurant chain. (Denny's was subsequently bought by a larger concern.)

Both companies were held primarily by institutional investors, Wall Street viewed both as having open and accessible senior management and both had disappointing earnings performance.

An LBO by Stanley, speculated Lindenmeyer, would allow the company to pare stores and pick up margins. "[Stanley] would have a reason, but not a choice, to close stores," Lindenmeyer said. "Institutions will make the decision."

Cheadle thought Payless' ownership of an estimated $500 million in land could be attractive for lenders. He also thought Stanley or the management group could spin off subsidiaries for immediate cash to pay down debt.

He said Somerville Lumber, the "crown jewel" subsidiary operating units in New England, could be sold for $150 million, more if Somerville has secured future sites in that competitive market.

Neither analyst believed the Sutherland-Edelman group would mount a campaign to counter the LBO. Yet if the group sells its stake at $30 a share, they stand to make $33 million for a two-month investment, Lindenmeyer said.

The LBO rumor—circulated by a Dow Jones newswire story—came from another rumor: that Goldman Sachs, Payless' investment banker, had placed Payless issues on its restricted list and wouldn't accept new positions in the stock. The brokerage did not confirm the reported listing.

* * *

Clarification

The previous article on Edelman's attempt to take over Payless noted his joining with Dwight Sutherland. Sutherland is president of Sutherland Southwest, which reportedly controls around 15 of Sutherland Lumber's 83 stores, not the largest portion of them as previously reported. Sutherland Lumber as a corporation is not involved in this takeover pursuit.

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Fred Meyer forms one hardlines group

(Continued from page 1)

man, Oran B. Robertson, retired.

Company spokesman Rob Boley said the seven people who were cut in the streamlining were offered alternative positions in the chain. "No individuals were let go or asked to leave as a result of these changes," he said, adding that he knows of only one employee who "elected to leave."

"From an operations standpoint, district managers—whether assigned to general merchandise or home and garden department functions—have similar problems and opportunities," explained Boley. "It was a logical area to do some consolidation."

He said the consolidation was prompted by the January 1988 departure of veteran Fred Meyer executive Donald Tripp, senior vp, who joined Wal-Mart Stores.

The newly created hardlines division is headed by senior vp Gordon W. Deeds.

In related personnel moves, Fred Meyer named several long time employees to other new positions. Benjamin J. Staley is now vp of the Home and Garden Centers, reporting to Deeds.

Rod Kautz was named merchandise manager for home improvement and Mike Braman was named garden center merchandise manager.

The goal is to make Fred Meyer more efficient and profitable, "not just to reduce costs," said Boley, Fred Meyer's director of public relations who joined the company in December 1987.

Fred Meyer, which posted $1.85 billion sales last year, operates 100 stores in six Western states. The 200,000-square-foot-plus "superstores" contain 11 departments offering about 220,000 food and nonfood items.

Fred Meyer's one-stop shopping concept combines food, clothing, variety and home improvement. However, its home improvement departments, while large (they can be more than 25,000 square feet) have usually stocked a narrow product and brand assortment.

Boley said that Fred Meyer has "a lot of enthusiasm and confidence that Stevens is going to have positive influence on our home improvement business because of his wealth of experience in that area."

Stevens, 51, had been a K mart employee for 29 years and resigned while working in the capacity of executive vp-specialty retailing. In that role, Stevens was instrumental in expanding the Builders Square chain to its current 118 warehouse units, as well as overseeing the growth of Waldenbooks and Pay Less NW.

Fred Meyer does not break out the percentage its home improvement and garden operations contributed to company volume. But last year its nonfood sales made up about two thirds of its total revenue.

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Mill strikes begin to affect lumber prices

By Milford Prewitt

NATIONAL REPORT — Prices for lumber and structural panel products are starting to escalate in the wake of the strikes in the Pacific Northwest.

Close to 20 mills in Oregon, Washington, Idaho and Montana were struck by union workers during the first week of June as contracts expired. Willamette Industries and Champion International together have 16 mills that are shut down as a result of the work stoppages.

Although the union and management at Willamette and Champion had stopped talking, negotiations are proceeding full steam

(Continued on page 90)

Drought foils lawn and garden sales

By NHCN staff editors

NATIONAL REPORT — In Hinsdale, Ill., like all of Chicago's western suburbs, there's a total ban on lawn sprinkling to counter drought conditions.

The Hinsdale ban notice arrived in residents' mailboxes June 17, the same day Gee Lumber's unit in Hinsdale received its eight skids of sod.

After the dry weekend, Gee manager Michelle Priest tried to save the sod by unrolling it onto the sidewalk and hand watering it. Instead, she watched it die.

Priest said she ordered the sod—normally a hot commodity until later in the summer—on Monday, just three days before the ban was announced and, too late to cancel the order.

In virtually every part of the country, the same lament could be heard from home improvement retailers struggling to get through one of the hottest and driest early summers on record.

With temperatures in the 100s all over the nation, the drought became oppressive. The Agriculture Department, through the last week of June, had declared more than 1,200 U.S. counties—40 percent of the total—drought disaster areas.

Even as rains came in the Southeast and the promise of rain was held out in the Northeast, dealers nationwide approached the Fourth of July with wilted expectations of lawn and garden sales, although some retailers were able to report "booming" business in hoses and air conditioners.

"It's just too blamed hot to be working around the house," said Warren Hellbusch, the Columbus, Neb., store manager for the 15-unit Mead Lumber.

"There's no question, it's serious," added Maynard Jenkins, president of the 29-unit Orchard Supply Hardware in San Jose, Calif., where local officials have asked residents to reduce their water use by 25

(Continued on page 91)

Home centers across the nation said the scorching heat, which has destroyed crops, cut into the business with farmers as well as DIYers who have found gardening futile. Wide World Photos

Hayward to sell or close units to avoid bankruptcy

By Brad Altman

CLAREMONT, Calif. — Financially struggling Hayward Lumber is paring down its operations by shuttering or selling 12 of its 16 lumberyards in a move designed to avoid the need to file for bankruptcy.

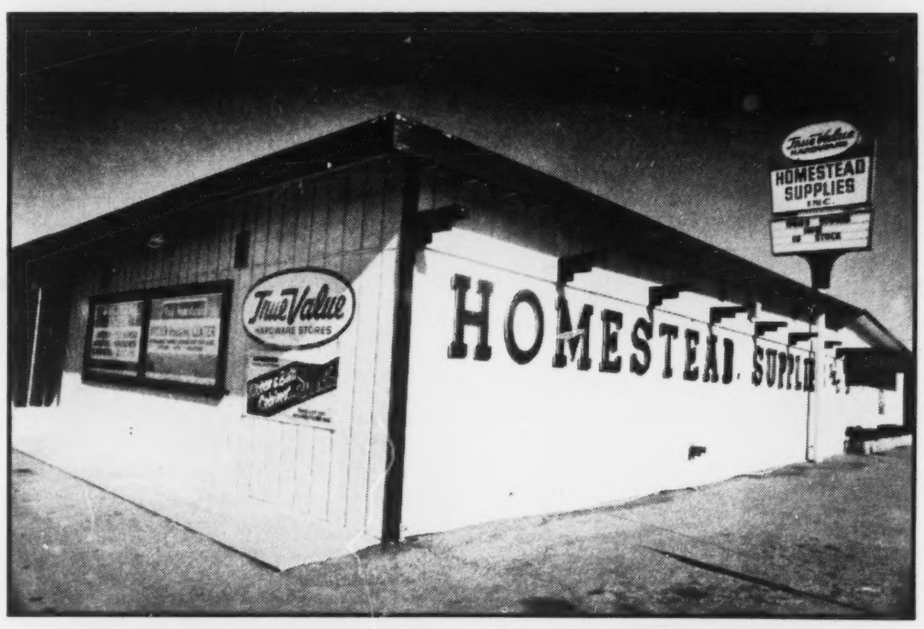
The consolidation will leave Hayward Lumber with just four remaining yards and an annual volume of about $15 million, compared with its previous $50 million in revenues.

Selling its businesses—including seven-unit Homestead Lumber Co.—is intended to fill corporate coffers and accommodate creditors who are owed "millions," corporate controller Greg Bossingham said.

He declined to be more specific concerning company indebtedness, but added that Hayward Lumber is using the services of the Los Angeles-based Credit Managers Association of California to pay its creditors.

"Using the credit group is a

(Continued on page 90)



A 1985 photo of Homestead Supplies in Yucca Valley, Calif., part of a seven-unit chain that was purchased that year by Hayward Lumber and was rebought by its original owner June 6. NHCN photo

Canadian firm opens Southern lumber dist. yard

By an NHCN staff editor

TORONTO — The opening of new distribution is standard operating procedure for many wholesalers. But the recent opening of the first DC in the South by Green Forest Lumber is a major turning point for this Canadian-based distributor.

Green Forest Lumber opened its distribution yard in Huntersville, N.C., in early June to expand its market presence in the South and the

(Continued on page 91)

Payless approves $900M management buyout

By an NHCN staff editor

KANSAS CITY, Mo. — The board of directors of Payless Cashways here has approved a definitive agreement for a management-led group to acquire the $1.8 billion chain for $27 per share, $1 per share higher than the group's initial offer in late June.

The 200-unit Payless has approximately 33.7 million common shares outstanding, and the deal, which is subject to receipt of financing and regulatory approval, could total more than $908 million, making this the largest retail leveraged buyout in the industry's history.

The June 30 agreement was with PCI Acquisition Corp., a newly formed group comprised of Payless executives, financial institutions and other investors, and led by Payless' chairman David Stanley, its president Larry Kunz, Somerville Lumber co-chairmen Mel and Harold Cohen, and five senior Payless vps. It was formed to thwart any takeover of Payless by an investor group led by Asher Edelman, which owns 8.1 percent of Payless' stock.

Edelman stands to make an estimated $21 million in profit if he sells to PCI.

"We are reviewing the situation carefully and are awaiting the definitive documentation related to the agreement," said Corey Horowitz, a general partner with Plaza Securities, the Edelman sector working on a potential takeover of Payless. He declined to comment on the price or if Edelman has sold off any more of his holdings.

The proposed tender offer would be conditioned on at least two-thirds of Payless'

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NEWSBREAKS

SERVISTAR HITS $1 BILLION IN SALES: On June 7, the Butler, Pa.-based wholesale co-op surpassed this annual volume plateau for the first time and expects to post $1.071 billion when its fiscal year ends June 30.

GENERAL BUILDING PRODUCTS TO BUY U.S. HOME SUBSIDIARY: The two companies agreed to the sale of Dee Wood Industries for $16.8 million in cash. New Jersey-based Dee, with 1987 sales of $37 million, is a lumber, millwork and building materials supplier.

INDUSTRY UPDATE

Wolohan buys lumber dealer

SAGINAW, Mich. — The publicly traded Wolohan Lumber has acquired the assets of the three-unit Cash-Way Lumber, operating in western Michigan.

James Wolohan, president of the 42-unit chain, said the June 14 purchase was for units in Muskegon, Ludington and Holland, Mich. Estimated sales for Cash-Way were $10 million. No purchase price was given. "Our long-term goal is to acquire ongoing, well-operated lumber and building materials concerns in the six-state area," he said.

Cash-Way, which will switch its name to Wolohan this year, was a full-line home center, with just 10 percent of its business coming from contractors.

PGL becomes Huttig subsidiary

AUBURN, Wash. — Palmer G. Lewis, the lumber and building materials distributor based here, is now a subsidiary of the Huttig Sash and Door Co. of Chesterfield, Mo.

Huttig completed its friendly acquisition of PGL by buying 2.7 million shares of PGL common stock for $11 a share. John N. Anderson, chairman of PGL, said the merger holds plusses for both companies.

First, in acquiring PGL, Hutting truly and physically becomes a national distributor with the subsidiary's West Coast facilities. For PGL, the benefits are the ability to move into specialized, added-value products.

Goodbuys opens new Pa. unit

PHILADELPHIA — Mr. Goodbuys opened in Langhorne, Pa., on June 22 and had over 75,000 sales transactions on its first day, according to Tom Thornton, the chain's president and chief executive officer.

The 95,000-square-foot unit was remodeled from a former flea market. It is sited about three miles away from a Builders Square unit and a Hechinger store in the Oxford Valley Mall.

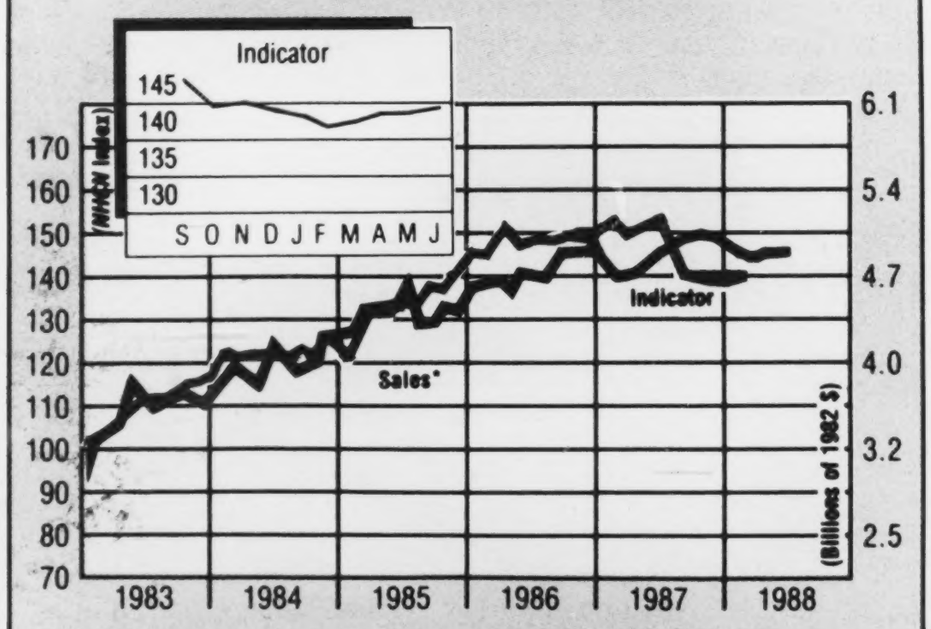
In a separate development, Mr. Goodbuys moved its offices to a facility with 150,000 square foot of warehouse space in northeast Philadelphia. Thornton stressed that this was an interim measure until its new DC is secured.

Workers may buy out NW Steel

STERLING, Ill. — With Securities & Exchange Commission approval secured, the publicly held Northwestern Steel & Wire expects shareholder approval of an employee buyout plan by July 28.

Merlyn Bruns, director of human resources for Northwestern, maker of Sterling brand nails and fencing, said 51 percent of the company's new stock would be held by the 2,800 hourly and salaried employees in an employee stock option plan (ESOP). The remaining portion would be held by an outside investment group. Northwestern had sales in excess of $400 million last year.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a decline in building materials sales in the second quarter due to weakness in single-unit housing starts and resales. The Business Watch column (page 79) highlights the outlook for New England building materials sales.

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Attorneys say detente is near for battling owners of Eclipse

By Gary S. Ruderman

ST. LOUIS — In the latest confusing chapter of Eclipse Industries, attorneys for the battling owners believe a solution is near where the company, which has filed for Chapter 11 bankruptcy protection, will speak to "the court and the trade" with a unified board for the first time since March.

And while the principals battle in courts here, the day-to-day operations of the five B&B Home Centers have been turned over to Joel Rice, described by other attorneys as a "respected [bankruptcy] workout specialist" in St. Louis.

Rice was chief financial officer of Eclipse from its founding in 1978 to 1983. In his mid-40s, he is known in the area for attempting to turn around a high-profile chain of liquor stores and was a trustee in the bankruptcy of the *St. Louis Globe Democrat*.

A spokesman for Eclipse said Rice had prior experience with the Zayre Corp. in Boston and Yankee Department stores, a defunct Detroit chain. He was unavailable for comment.

Attorneys, who are speaking for the principals in this shareholder dispute wrapped around the bankruptcy, were attempting to secure a truce between the parties before a June 28 court date on which hinges court approval of more temporary financing so Eclipse can stock its shelves and pay its employees.

Eclipse is under court protection from creditors under Chapter 11 of federal bankruptcy laws (*NHCN*, June 27).

Steve Feinstein, founder and 20 percent shareholder of Eclipse, and Don Navarro, a Dallas businessman and 80 percent owner, have taken to court to establish which faction is in control.

"The situation is still a bit

(Continued on page 91)

Depot won't fill vacant exec vp post

By an NHCN staff editor

ATLANTA, Ga. — The Home Depot has no plans to name a successor to fill the executive vp post which was vacated when William G. Kelley resigned May 1, a company official said in late June.

In a statement released by The Home Depot, Kelley said he was resigning his executive vp and board of directors posts to launch "an entrepreneurial venture of my own." He could not be reached for comment.

"It just didn't work out," Ronald M. Brill, senior vp and cfo, said of Kelley's relatively brief tenure with the company. "We're not replacing him."

Kelley joined The Home Depot in August 1986. He was a member of The Depot's senior management group and reported to president Arthur Blank.

In an interview with *NHCN* in November 1986, Kelley described his responsibilities as overseeing advertising, import-buying, distribution and traffic.

He added, "My job function is to help in any way I can to [help Home Depot] go from $1 billion in sales to $5 billion and beyond."

Before joining The Home Depot, Kelley was corporate vp of Jack Eckerd Corp., Clearwater, Fla., in charge of its American Home Video subsidiary. Before that he was executive vp-merchandising at Lord & Taylor.

William G. Kelley, former executive vice president, resigned from The Home Depot on May 1. NHCN photo

Fagen's couples doors with windows

By an NHCN staff editor

VERONA, Pa. — Fagen's Building Centers has pulled together a 500-square-foot, consumer-oriented department called the "Ultimate Door & Window Shop," spurring increased sales among contractors as well as DIYers and BIYers, said Jack Fagen, company president.

The department, which displays all of the doors and windows sold by the 19-store chain based here, was launched in May and has found a place in five Pittsburgh-area stores, Fagen said.

One by one, the company plans to organize a similar department in each store, he said, replacing the old method of merchandising doors and windows separately.

In another change, service has improved with Fagen's decision to dedicate a full-time salesperson to the department in some stores and two full-time people in others.

Jack Fagen, president of Fagen's Building Centers. NHCN photo

Some displays were built by the chain and others were obtained from the door and window manufacturers, and include the unit's presentation of bow and bay windows.

The department's computer lists the windows and doors available in the dimensions needed.

The company now also offers installation through subcontractors.

Despite the touches intended to attract BIYers, contractors are responding favorably to the department, Fagen said.

"We're getting a considerable amount of interest from professionals, though we set this up for consumer marketing," he said.

The general response has gratified Fagen, too, he said.

"This has enabled us to

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Section 2

THE SHADOW MARKET

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Perspectives

'Shadow' BIYers often lurk behind DIYers

By an NHCN staff editor

Home center shoppers are not always who they seem.

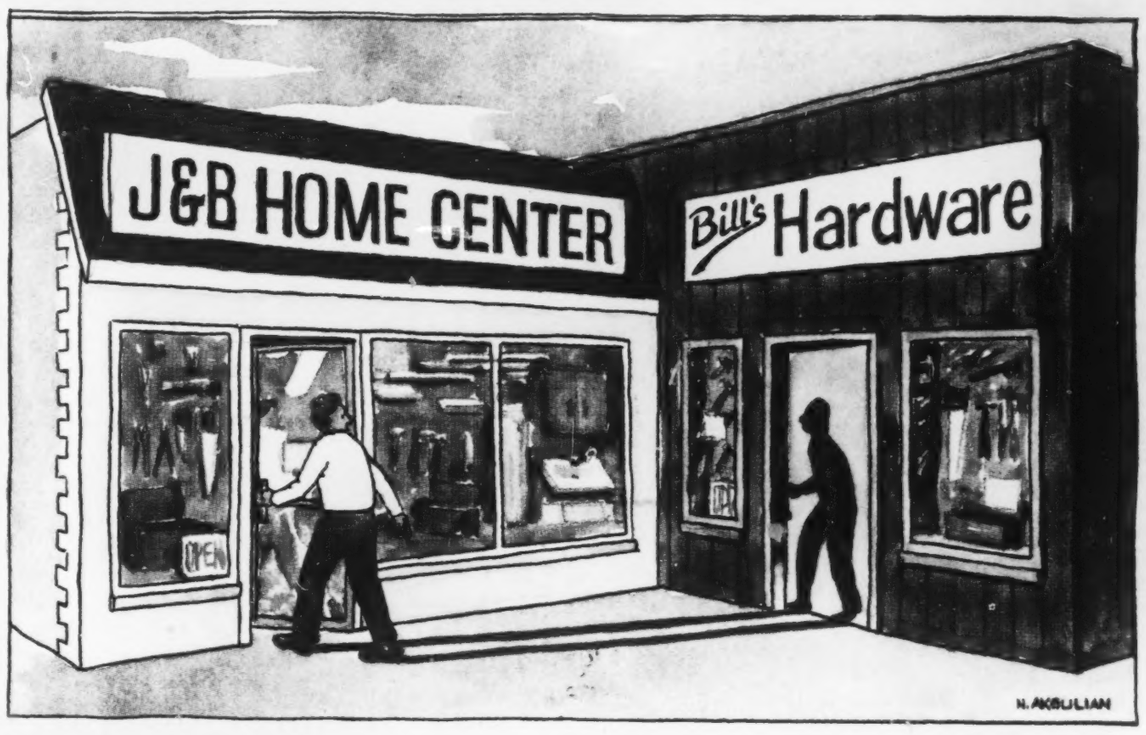
Often a customer is purchasing as a DIYer. But sometimes the same customer is buying materials for his contractor. The customer is the same, but his shopping needs differ.

While home centers have done a good job appealing to the customer as a DIYer, they have been much less successful in attracting the same customer when he's buying material that will be installed by a professional.

Consequently, a vast shadow market of potential sales lurks in the nation's home centers. The good news is that this market can be developed among current customers and without major changes to store or inventory. Here's why:

Most homeowners prefer to repair and remodel their homes themselves, and take great satisfaction in buying materials and completing these jobs.

Indeed, many homeowners are convinced their sweat equity will result in a completed project that looks as good as any work a professional contractor could do, even though it may take considerably longer for them to finish.



Part of the engine that drives the DIY market is the distrust homeowners harbor towards contractors, believing that the remodeler will overcharge them, do shoddy work or be difficult to deal with. This animosity often is mutual, as contractors insist they are called in to bail out a home improvement project an "inept" homeowner couldn't complete himself.

Despite this friction, homeowners conclude a project is too complex or time consuming and find they must call in a contractor about 25 percent of the time. But even when professional help is beckoned, the homeowner wants to maintain some control over the project, and that usually means controlling the purchase of products used.

A new study, based on interviews with 1,100 households, finds that one out of every five store visits by homeowners to purchase home improvement fare is made for jobs being done by remodelers. More important, 28 percent of all dollars spent at retail for home improvement are for products used by contractors doing the home improvement job.

However, this "shadow market" of homeowning buy-it-yourselfers is far less likely to shop a home center when they're buying for contractors than they would if they did the job themselves. Contractors contribute to this because of their natural bias against home centers, but it appears that home centers are faring less well than other dealers in providing the mix of services and products BIYers want.

The following stories and charts detail the reasons why homeowners turn reluctantly to contractors, and what they expect from a store when they assume a buy-it-yourself posture. It also illustrates some of the ways home centers can capture a greater share of the shadow market by serving as an ally—an advocate—of those BIYers while at the same time reducing the friction between homeowner and remodeler, and remodeler and home center.

DIY activity drops only on complex home projects

By an NHCN staff editor

The United States is a do-it-yourself nation, and most homeowners actively want to improve their dwellings themselves without help from pros.

A Chicago homeowner who had just remodeled his bathroom may joke about "writing another check and having a contractor come" in if he had to do it again. But this same homeowner is more disposed towards tackling the project himself.

"I got into it. There was no problem. I looked forward to it. It was difficult. I did it . . . I liked it. I would do it again."

Indeed, when queried about 22 commonly done home improvement projects, 94 percent of the study's respondents expected to do at least one of these on their own.

As the adjacent pyramid shows, as the DIY job becomes more complicated, a lesser percentage of homeowners is willing to take it on. But about two thirds of those questioned were even willing to tackle the installation of kitchens, windows and new electrical wiring. There was a big falloff of DIY activity, though, when roofing or room additions were the jobs to be done.

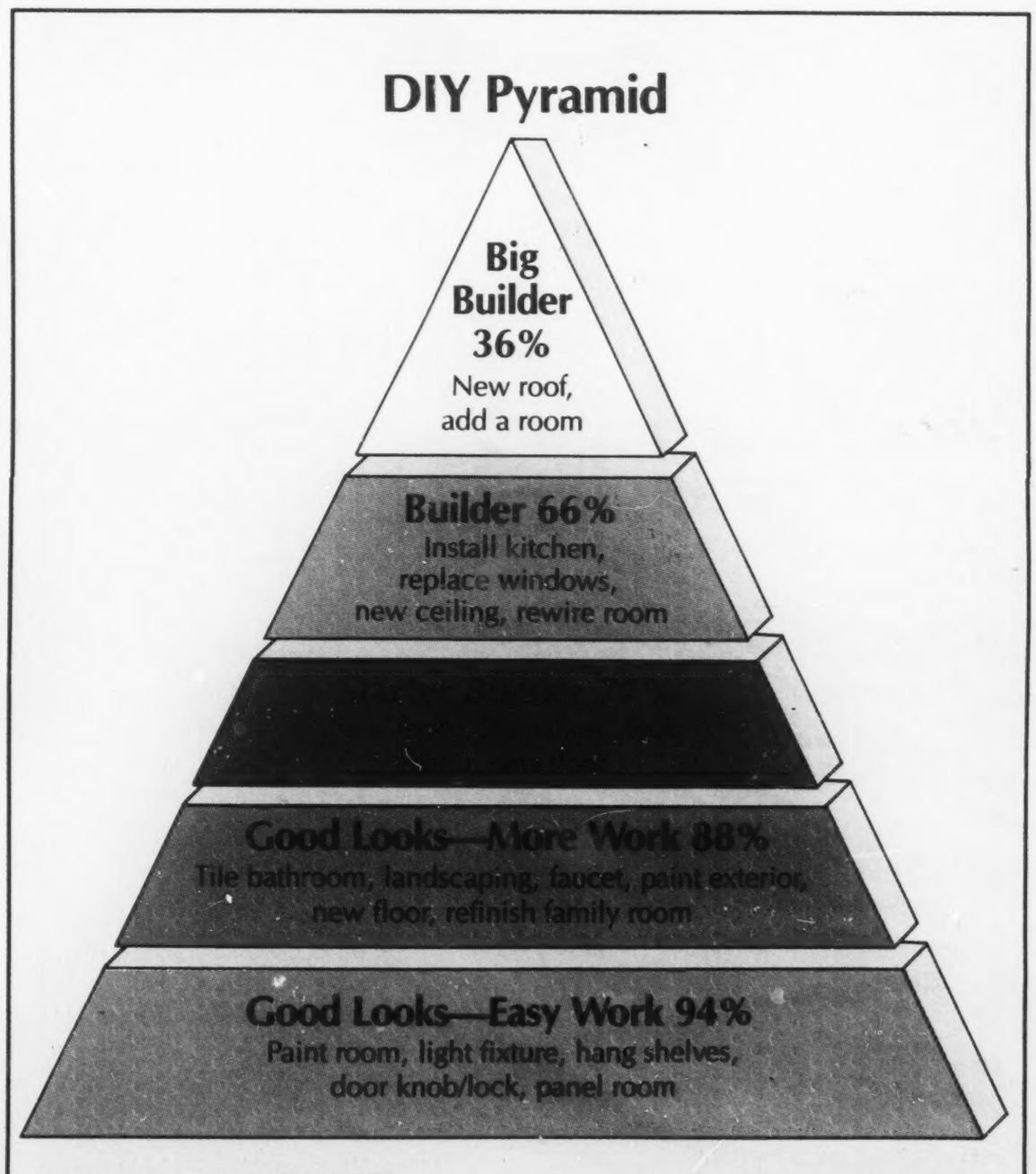
All this proves that most consumers can't resist doing some form of project. These "starter builders" turn to contractors only when major home rebuilding is required.

DIY, according to George Rosenbaum, president of Leo. J Shapiro & Associates, is a "universal" activity, generally consistent among all income groups and varying little by a homeowner's education.

However, the study found a direct correlation between the level of DIY activity and family formation, with the highest level of DIY involvement among married homeowners who were raising children.

Conversely, the willingness to do a job goes down as the homeowner gets older, with the average age of the low involvement group of 44 years being 10 years higher than the average age of middle and high involvement groups.

"I'll do anything that I feel capable of doing," said another Chicagoan. "[But] I had a roof put on. When I built my addition upstairs, I had somebody come and put the furnace in because I didn't feel capable of doing that. I had somebody come in and put in the . . . cast iron drains. I did the supplies myself. As time goes by, I just want to get things done quicker."


DIY Pyramid
Big Builder 36%
New roof, add a room
Builder 66%
Install kitchen, replace windows, new ceiling, rewire room
Good Looks—More Work 88%
Tile bathroom, landscaping, faucet, paint exterior, new floor, refinish family room
Good Looks—Easy Work 94%
Paint room, light fixture, hang shelves, door knob/lock, panel room

Source: Leo J. Shapiro & Associates for *NHCN*

A survey of consumers in four large metro markets revealed that a huge percentage of homeowners are willing to tackle simple DIY jobs like painting, and as many as two-thirds of those polled said they'd take on more complicated projects like kitchen or window installation. It is only when the job becomes complicated or time consuming that a contractor may be called in.

DIYers appear to base their roots in three distinct areas

The motivations behind the do-it-yourselfer are varied. But among the homeowners surveyed for this study, these motivations appear to have their roots in three basic areas.

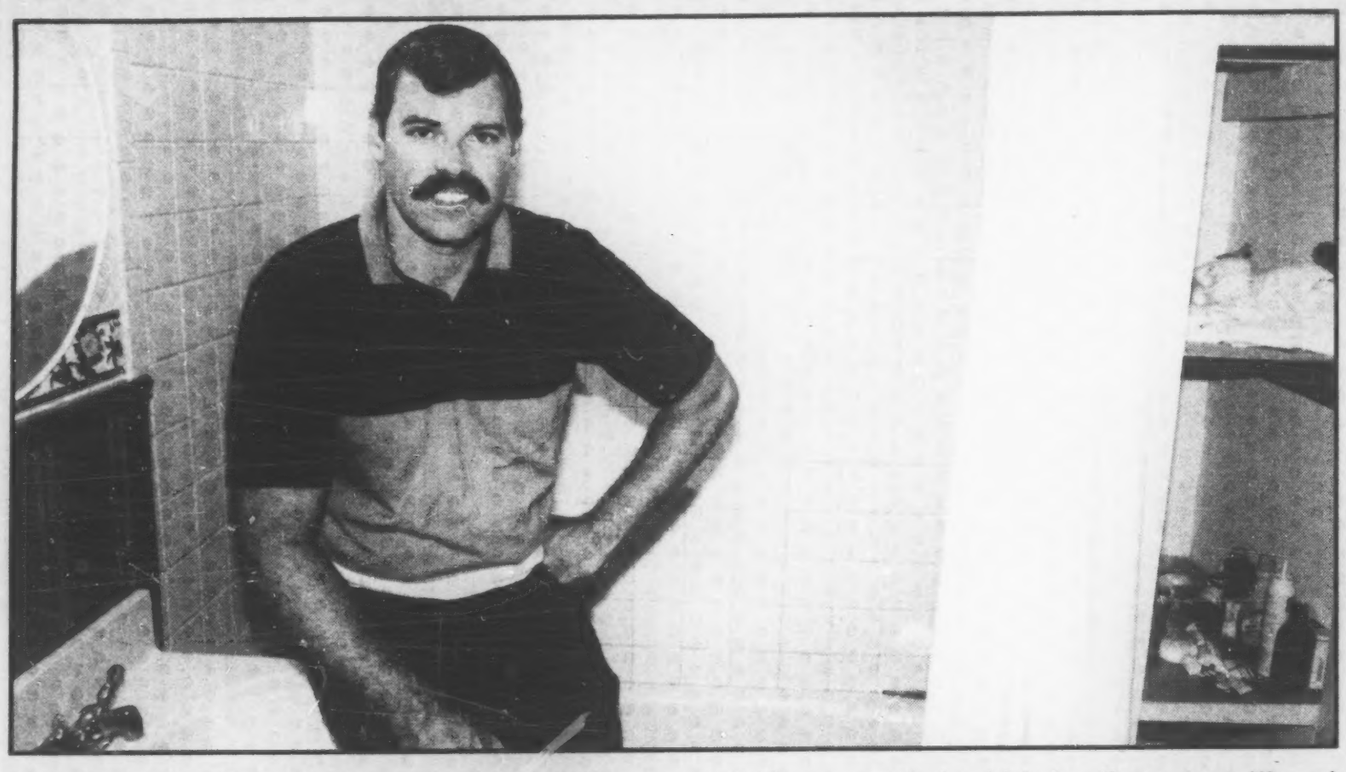
- Money. The more complicated a project becomes, the more expensive it is, generally. And for many homeowners, the ability to remodel their home hinges on their doing the work themselves to reduce the overall cost.
- Fundamental work values. Homeowners take pride in a job well done, and believe that the work they conduct upgrades their standard of living.

More significantly, some respondents noted that if they didn't do the work themselves, it wouldn't come out the way they wanted it. "When you do it, you get down to the fine points," said a homeowner interviewed during one of the Chicago focus groups. "I'll find this last piece of trim that just didn't look right. I'll redo it. When you hire someone, you know that they're not going to redo it. It's just not the same way that you'd do it."

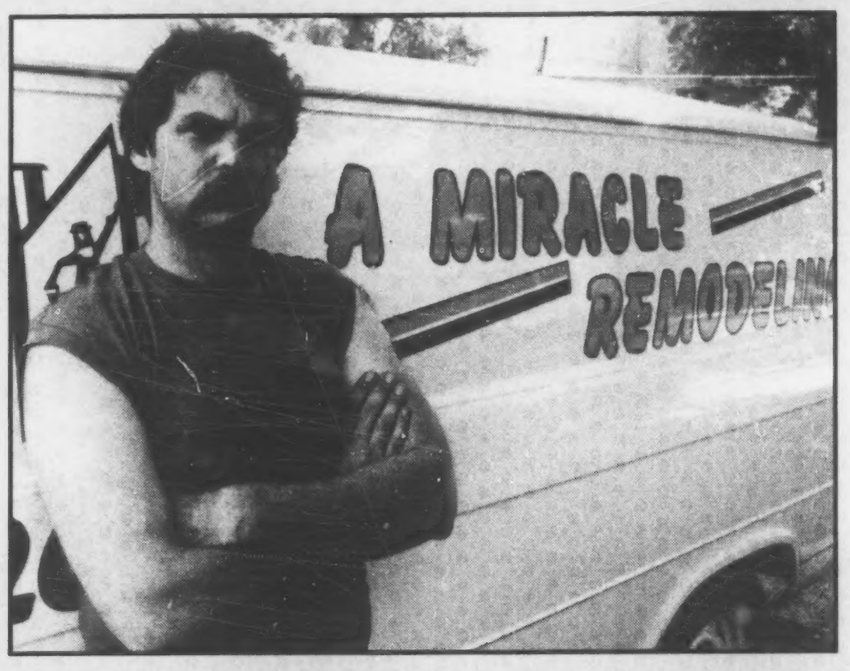
- Personal satisfaction. DIY is personal, even intimate work, and most homeowners would prefer that a contractor not intrude into it.

In addition, many homeowners are simply willing to accept the challenge of a home improvement project and would be uncomfortable by not participating in its completion. Said one Chicagoan: "If I had the money, I don't know if I could stand by and watch."

The psychological foundation of DIY is very much tied into the dream, apparently held by many homeowners, of ultimately building their own home. And that d[illegible]comes more vivid as DIYers gai[illegible]erience. "I've built a deck. I think I'd like to build a house," said one interviewee. "I have thought about doing it. If I could build everything exactly the way I wanted it."

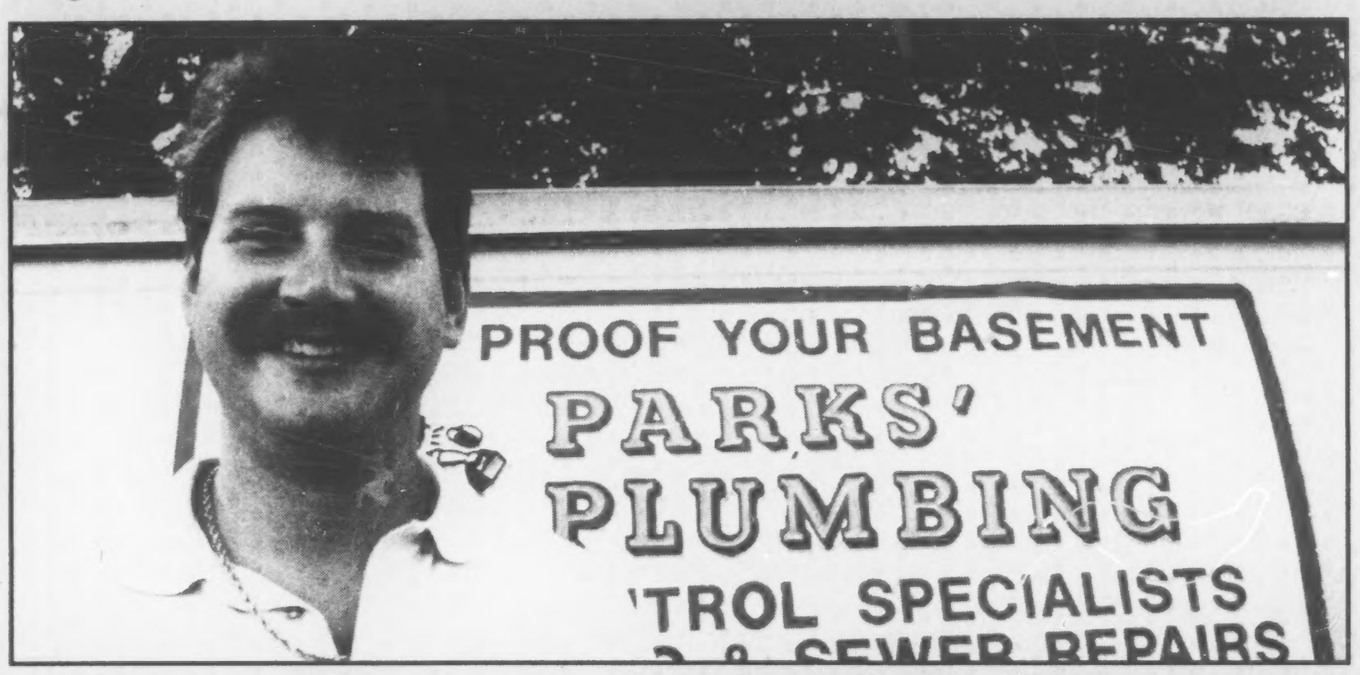


Bob Tansey, a homeowner living in River Forest, Ill., remodeled his bathroom without any professional help, and he spoke for the army of DIYers in his proclamation that he "liked" completing a difficult project. "I would do it again." NHCN photo



Carpentry contractor Tony Urbanowski expressed a distrust of homeowners shared by other remodelers. "They are out to get you. They want it done by next week or last week. They want it done for $50. Once you are under contract, if there are any problems you are in trouble." NHCN photo

Joan Dardis is a special education school secretary in Glencoe, Ill., who isn't afraid to call on contractors, but questioned their reliability. "They don't show up. I'm amazed. They would say 'I'll meet you at this time.' And then they would not show. I'm talking about a roof that cost $6,000. It was like nobody needed the work." NHCN photo



Jeff Parks, a Chicago plumbing contractor, questioned DIYers' ability to complete a job, disparaged home improvement books that make the project look easier than it is, and ripped into the quality of products sold in home centers. "I try to explain it 's all plastic," he said of a faucet sold at a local warehouse unit. "It 's going to fall apart. I'm not warranting it. So of I put it in and then it doesn't work, you have to pay me to take it out." NHCN photo

Consumers often see contractors as choice of last resort for projects

By an NHCN staff editor

Given the conviction of some people towards doing a project themselves, it comes as no surprise that they resist using contractors except as a last resort.

One of the reasons for this is that people simply like their own work better. More than three out of five respondents to the study said they were "completely satisfied" with the last project they did; that satisfaction level drops to 42 percent when the job had been done by a remodeler.

Consumers aren't suggesting that they know more than contractors, or are more skillful. They do feel, however, that they can learn to master any project that needs to be done around their homes. Indeed, some homeowners will use contractors as unwitting "consultants" before they conduct their own project.

"If I want to do a job, let's say, paint my house, I'll call up several contractors and get estimates," said one focus group participant. "While they are there I go around with them. I listen to what they're saying. I figure out the prices and what they are going to charge me.

"A couple more [contractors] go through and I say 'fine.' I say to my wife 'honey, go buy this much paint. I'll go to the hardware store. I'm going to rent this thing that has 250,000 [pounds of] pressure [to remove old paint.]' Then you get there, do everything they say, except the price is different."

Many homeowners thought dealing with contractors was more of a hassle than they cared to encounter. Part of that stems from the difficulty some people faced trying to find someone to do the job. One focus group respondent thought contractors generally took on more jobs than they

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How Satisfied Were You With Your Last Project?

(Rated on a nine-point scale)

	Last Project/Repair Done DIY	Contractor
Completely Satisfied (9)	61%	42%
Satisfied (6-8)	30	49
Not Satisfied (1-5)	9	9

Source: Leo J. Shapiro & Associates for *NHCN*

More than three-fifths of those homeowners surveyed said they were "completely satisfied" with the last project they did themselves. But that drops to only 42 percent for jobs done by contractors.

Five Projects: Satisfaction When Done by Contractor and DIY

(Percent completely satisfied)

Last Project	DIY	Contractor
Decorating	60%	31%
Room Addition or Remodeling	57	38
Repair	60	53
Structural (roof, windows, siding)	67	50
Other (landscaping, plumbing, garages)	59	34

Source: Leo J. Shapiro & Associates for *NHCN*

This self pride in one's own accomplishments extends even to more complex projects like roofing and siding. Homeowners aren't saying they're more competent than contractors here; just that they like their own work better.

Methodology used in NHCN consumer study

"The Shadow Market: Contractors and their Customers" is a new study conducted for *National Home Center News* by the Chicago marketing research firm Leo J. Shapiro & Associates.

The source of the original data is culled from interviews with more than 1,100 households. Part of the survey covers the 450 interviews done by telephone with homeowners nationwide; the second survey was conducted with 695 homeowners in four markets: Chicago; Phoenix, Ariz.; Columbus, Ohio; and Philadelphia.

These homeowners were asked about 22 commonly done projects around the home, ranging from painting a room to installing a new roof.

In addition, focus groups of urban and suburban homeowners as well as a separate group of contractors, were interviewed in Chicago. The direct quotes used in the stories appearing in this issue are from these focus group sessions.

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Contractors express doubts about DIYing

By an NHCN staff editor

The disdainful attitude consumers take towards contractors is more than countered by the ill will remodelers have for most of their clients.

"The contractors all subscribe to the dictum that the customer is always wrong," said Rosenbaum of Leo J. Shapiro. Interviews with contractors in Chicago bore this out.

They believe they are called in many times to do damage control of projects that were initiated by "inept" homeowners; up to 15 percent of jobs these remodelers take on had been started by DIYers.

"I think the do-it-yourself market is expanding and increasing," conceded one remodeler. "But it has its limitations, too. There are so many times that you watch the commercials and Time/Life [which publishes a series of DIY books] says 'With this plumbing book, this makes the plumber disappear.' Well that's about as big a joke as it gets."

Another contractor disparaged the way these self-help books made jobs look easier than they actually were, and therefore deluded consumers into believing they didn't need any professional help.

That remodelers believe most homeowners are incompetent when it comes to home improvement isn't all that remarkable, given the fact that the expansion of homeowners' DIY activity cuts into remodelers' business.

But that they believe homeowners have become more ruthless in their dealings with remodelers was unnerving. "They are out to get you," exclaimed one Chicago remodeler. "They don't care if they hurt you. They want it done by next week or last week. They want it done for $50. Once you are under contract, if there are any problems, you are in trouble."

A lot of this animosity comes from the kibbutzing contractors get about home improvement projects from homeowners. The remodelers expressed consternation that they were, on one hand, being monitored by the homeowner and, on the other hand, being told what to do by dilettante DIYers.

"I would rather be with somebody who doesn't know nothing [*sic*]," said one contractor. "I want them in the other room watching TV, not standing behind me and watching me. They're watching everything you do. They start to tell you and point to how you are supposed to do your job. I just want to put back my tools and go home."

This depiction appears to be accurate, as even homeowners confess to being suspicious of contractors to the point of distraction. One woman homeowner told a focus group of her husband, a skilled DIYer, who, when contractors are called in for a job, "stands there and tells them 'you are doing this wrong.' Sometimes I'm kind of worried they are going to hit him."

Homeowners find contractors a necessity despite convictions

By an NHCN staff editor

Even though homeowners dread the prospect of using contractors, they realize they are dependent on them occasionally. Only 6 percent of homeowners living in the four markets surveyed for this study said absolutely they would not use a contractor for a remodeling project and 35 percent thought they'd use professionals for at least half the projects they attempted.

This "can't live with them, can't live without them" mindset is manifest by the statistic showing that, nationally, one quarter of all homeowners surveyed used a contractor on the last project they did.

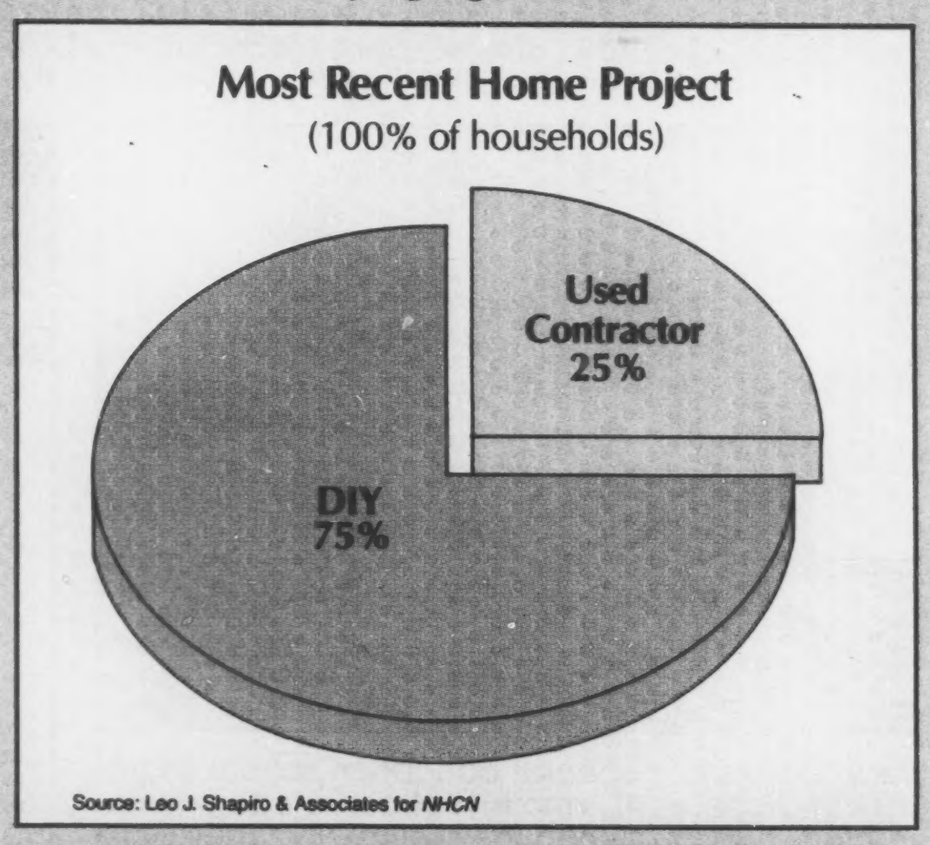
Many times, contractors are called in because homeowners just don't have the time to complete a complicated job. "They are trying to save money," said one Chicago remodeler when asked why homeowners conduct projects themselves. "But [they] spend so much time trying to get it right. Then you don't know what you're getting. You are going back to the hardware store all the time. They get to the point where frustration sets in. They then say 'Well, I've got to call a contractor.' "

The time element also leaves many jobs undone that need to be picked up by a professional. One homeowner recalled getting her husband to retile the bathroom. To protect the shower wall, he put up a plastic bag. "Three years later, we still have that bag there. So two weeks ago I said 'I'm calling the tile man,' which we did."

As this woman's comments reveal, the decision to use a contractor is often made to maintain some semblance of family harmony that has been disrupted by a discordant do-it-yourself work site that seems to last forever.

"When my husband starts a job, I think to myself 'dear God, this isn't possible. He's not really doing it,' " said another female participant in the Chicago focus groups about her spouse, whom she said was quite handy around the home. "And he does it: it takes a week, two weeks, and sometimes he gets 94½ percent done. That last little bit he can't find the time for it. One day I blew up and went nuts."

A contractor was called in to complete the homeowner's project.



While hiring a contractor is a kind of admission of defeat for some DIYers, the fact is that, among those interviewed in four metro markets, contractors are called in on one quarter of the jobs undertaken by the homeowner.

Consumers view contractors as the choice of last resort

(Continued from page 21)

could handle and gave short shrift to all of them.

And a woman homeowner recounted that "my problem is that [contractors] don't show up. I'm amazed. I've had things that really had to be done. They would say 'I'll meet you at this time.' And then they would not show. I'm talking about a roof that cost $6,000. It was like nobody needed the work."

Consumers' anxieties about using contractors are heightened by the horror stories they've either experienced themselves or have heard of from other homeowners. These are articulated in the form of black humor or resignation, such as the following tale retold by a homeowner:

"We needed a new roof, so we had the roofer come in. He got the job started, and there was a big hole in the roof because it was being fixed.

"Friday morning, the guys looked up and said 'Oh, it looks like rain,' so they left and said they would be back tomorrow and finish it.

"Of course, they didn't cover the hole in the roof. You wouldn't believe it: all the plaster on the second floor fell and it was terrible. It cost us $15,000 to fix it."

Plans to use Contractor
(22 common projects*)

All Households	100%
No Projects Using Contractor	6
All Projects Using Contractor	4
Some DIY and Some Contractor	90
– ¼ by contractor	24
¼-½ by contractor	31
½+ by contractor	35

*Paint a room, install a kitchen counter or cabinets, lay a new floor, install a new faucet, put up a new ceiling, replace windows, build a deck, install a light fixture, refinish a basement or family room, install a door knob or lock, panel a room, install a sink/bathtub, put up a fence, add a room, do new landscaping, rewire a room, put in a patio, paint the trim or exterior of house, install insulation, hang book or wall shelves, install new roof, tile bathroom walls or floors.

Source: Leo J. Shapiro & Associates for NHCN

While homeowners are disposed to complete jobs on their own, only a small number said they would rule out using remodelers ever, and more than one-third said that contractors have done at least half of their projects.

BIYers want to retain control over remodel projects

By an NHCN staff editor

Homeowners might dread the thought of hiring a contractor, and the distrust and tension between homeowners and remodelers may be thick enough to cut with a knife.

But even though employment of contractors being a necessity for certain projects, consumers want to retain a level of control over home improvement project being done. Oftentimes, that means controlling the purchase of materials used and/or the decision about where they are bought.

Contractors are called in by homeowners for one in every four projects, according to the *NHCN*-Shapiro study. And a full 35 percent of the materials and supplies used for these contractor jobs are purchased by the homeowner; i.e., while he or she may not be a DIYer in this instance, each holds onto the power of buying it himself.

This finding was confirmed by interviews with Chicago contractors, one of whom estimated that one quarter of his clients offer to buy materials "because they think that we are jacking up the price totally."

Even when the contractor "controls" the buying, 9 percent of those purchases are in stores that are designated specifically by the homeowner. In other words, the homeowner maintains some level of project management—in the form of buying it themselves or directing the contractor to the supply outlet—for 44 percent of all material purchases made. These dollars, in effect, "shadow" the DIY market.

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BIYers want to retain control over remodel projects

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"It's interesting to speculate what a delivery service might do to this equation," said Shapiro's Rosenbaum, "because we found that contractors don't always follow orders."

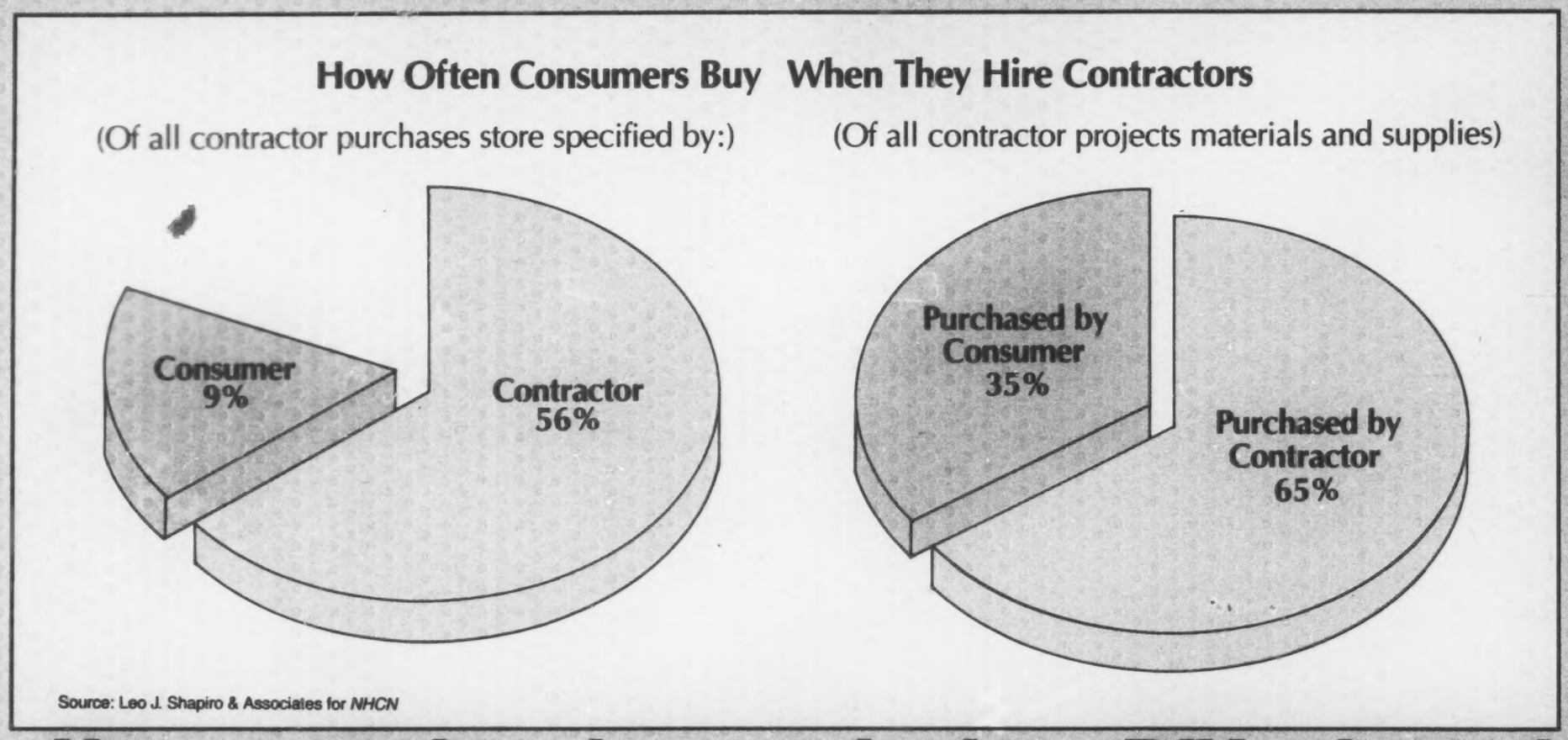
Indeed, this BIY mentality is anathema to most contractors, many of whom concede they make money when they themselves purchase materials.

In addition, contractors complain the homeowner doesn't have the product knowledge needed to control the purchase, and don't think that knowledge is available at most home centers. "I say 'Okay. You want to buy the materials? Fine.' I'll write it down for them, give it to them, and they still don't get it right," said one disgruntled contractor.

Because of this, some remodelers won't guarantee their own work if they can't be the primary decision maker about what is bought and where. "One thing about buying your own materials is you're leaving it open to the contractor to say after it's done, 'Well, I don't like using Benjamin Moore paints. It takes extra coats. That's why I'm charging you 20 percent more for the job because I generally use such and such; it's better,' " noted one focus group participant. "Six months later, when you call to ask why it's bubbling up, he says 'You should have bought oil paint instead of latex.' You're responsible for the whole thing."

This situation is compounded by the very real fact that contractors, as a rule, generally don't like to shop home centers, claiming their products and services are inferior, or at the very least not up to their expectations.

So it behooves home centers to get a better handle on how to service the "shadow market" of homeowners in the BIY mode, who present a major opportunity for these stores.


How Often Consumers Buy When They Hire Contractors
(Of all contractor purchases store specified by:)
Consumer 9%
Contractor 56%
(Of all contractor projects materials and supplies)
Purchased by Consumer 35%
Purchased by Contractor 65%
Source: Leo J. Shapiro & Associates for NHCN

When contractors are employed, homeowners still want some control over the project, which often means buying the products. The survey revealed that 35 percent of the time, consumers are purchasing what is used. A smaller not still significant segment of homeowners are controlling their home improvement projects by recommending to contractors which stores they should shop for building materials, which can cause friction because of remodelers' bias against home centers

Home centers lose out when DIYer turns into BIYer

By an NHCN staff editor

The impact of the "shadow market" on home improvement centers is tremendous. The *NHCN*-Shapiro study found that 28 percent of all home improvement retail dollars are being spent by consumers purchasing materials and supplies for contractors they've hired.

And this sales sector is being generated from homeowners who claim that one out of every five trips they make to a store are for home improvement products they are buying for contractors working on their homes.

The problem with these findings for home centers operators is that while they have done a superb job attracting DIYers into their stores, they have been less successful in drawing those same customers when they assume the role of the BIYer.

Nearly three out of four interviewees—74 percent—said they do most of the purchasing for home improvement materials and supplies at the home center. But among consumers who are more frequent BIYers, that figure drops to less than half, 49 percent.

In fact, these BIYers claim they are more likely to go to a hardware store, a specialty store or Sears for purchases made for remodelers. The study found that the home center is failing with these customers not because it doesn't have the right product mix, but because it doesn't succeed in responding to their shopping needs as effectively as it does to its DIYer clientele.

The irony here is that the DIYer and the BIYer are often the same person. But the BIYer's motivation differs in that he or she is more concerned with managing these purchases to control the project, rather than taking pride in selecting just the right item for the job the purchaser may be doing on his own.

There are myriad factors why home centers lag in their appeal to BIYers. One, of course, is that the homeowner is intimidated by a contractor whose predisposition is anti-home center to start with, and who can poison the DIYer's relationship with his favorite home center.

For example, one contractor spoke of a homeowner client who wanted to purchase a faucet at Builders Square in Chicago that had an attractive price. "I try to explain . . . that it's all plastic. It's going to fall apart. I'm not warranting it. So if I put it in and then it doesn't work, you have to pay me to take it out."

This same contractor had offered the homeowner a Moen brass faucet for $90, and he said he can make this sale because "I tell them all the parts are all brass, and it's a solid faucet." He also expressed annoyance that his supplier is making what he referred to as a "cheaper" faucet model for local home centers.

The fact that Builders Square, as well as most home centers, offer higher quality products in most categories was completely lost on this contractor, who voiced the sentiment expressed by virtually all the remodelers interviewed that home center merchandise was "junk."

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There is, in effect, a "shadow market," when DIYers become BIYers. Data from interviews with homeowners in Chicago, Philadelphia, Phoenix and Columbus found that 28 percent of all retail home improvement dollars are being spent by homeowners buying products for contractors working on their homes.

How the Home Improvement Dollar Divides Between DIY and BIY
(Precent of retail dollars)
BIY-Contractor did the Work 28%
DIY-Did the Work on Own 72%
Source: Leo J. Shapiro & Associates for NHCN

BIY/DIY Store Expectations

	BIY	DIY
People		
Helpful	26%	19%
Knowledgeable	11	10
Not Pushy	3	1
Quality Products	12	10
Good Displays	14	10
Store Environment		
Clean	10	8
Not Cluttered	11	9
Convenient Location	13	6
Low Price	23	28
Big Selection	26	32

Source: Leo J. Shapiro & Associates for NHCN

The homeowner assumes an entirely different mindset when he is buying for a remodeler, and his needs from a store change. Instead of searching out low prices and product selection the BIY wants strong in-store service, helpful salespeople and idea-inducing displays.

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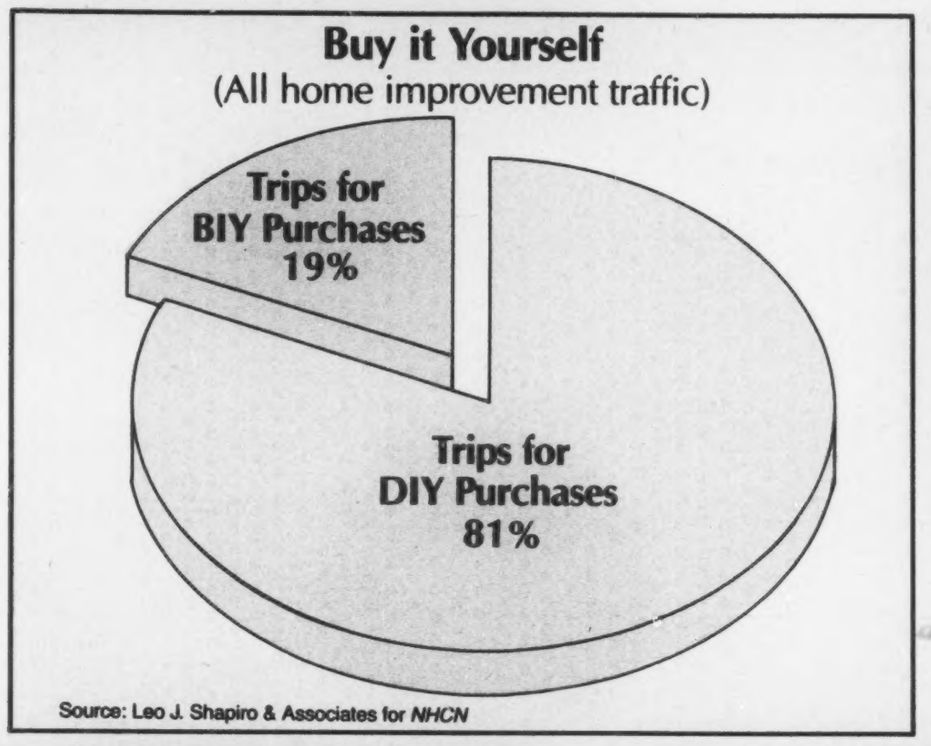
Buy it Yourself
(All home improvement traffic)
Trips for BIY Purchases 19%
Trips for DIY Purchases 81%
Source: Leo J. Shapiro & Associates for NHCN

Store Shopped Most for Home Improvement Supplies

	BIY	DIY
Home Center and Lumber	49%	74%
Hardware	16	10
Sears	6	4
General Merchant	6	3
Specialty	10	6

Source: Leo J. Shapiro and Associates for *NHCN*

Home centers have done a good job of attracting DIYers to their stores. But when that same shopper becomes a BIYer, purchasing materials and supplies for a contractor, he is much less likely to shop a home center. In fact, that consumer increases his trips to hardware stores, specialty outlets and Sears when he switches into the BIY mode.

Home centers lose out when DIY turns BIY

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Contractors also thought the help in most home centers was, in their words "ignorant," "incompetent" and "rude," and that these stores, because they don't offer credit or have separate checkout counters for builders and remodelers, don't provide the amenities these contractors are used to elsewhere.

However, the dislike of home centers by contractors is hardly the only reason these stores are not the primary outlets for BIYers. The study's findings reveal that when a homeowner becomes a BIYer, his entire shopping outlook and expectations change.

Perhaps the most revealing finding here is that BIYers are more concerned with getting friendly, knowledgeable service from the stores they shop than are DIYers, whose main shopping agenda focuses in finding low prices and extensive product selections. The service element could explain why BIYers said they'd be just as likely to go to a hardware store or Sears—where a premium is placed on service—than a home center, where self-service is generally the norm.

Perhaps the most revealing finding here is that BIYers are more concerned with getting friendly, knowledgeable service from the stores they shop than are DIYers.

BIYers don't want to travel long distances to purchase want they need, and the emphasis shifts towards assisted and easier shopping. Interestingly, they place more significance than do DIYers on the way a store displays its product, apparently as a new source of remodeling ideas.

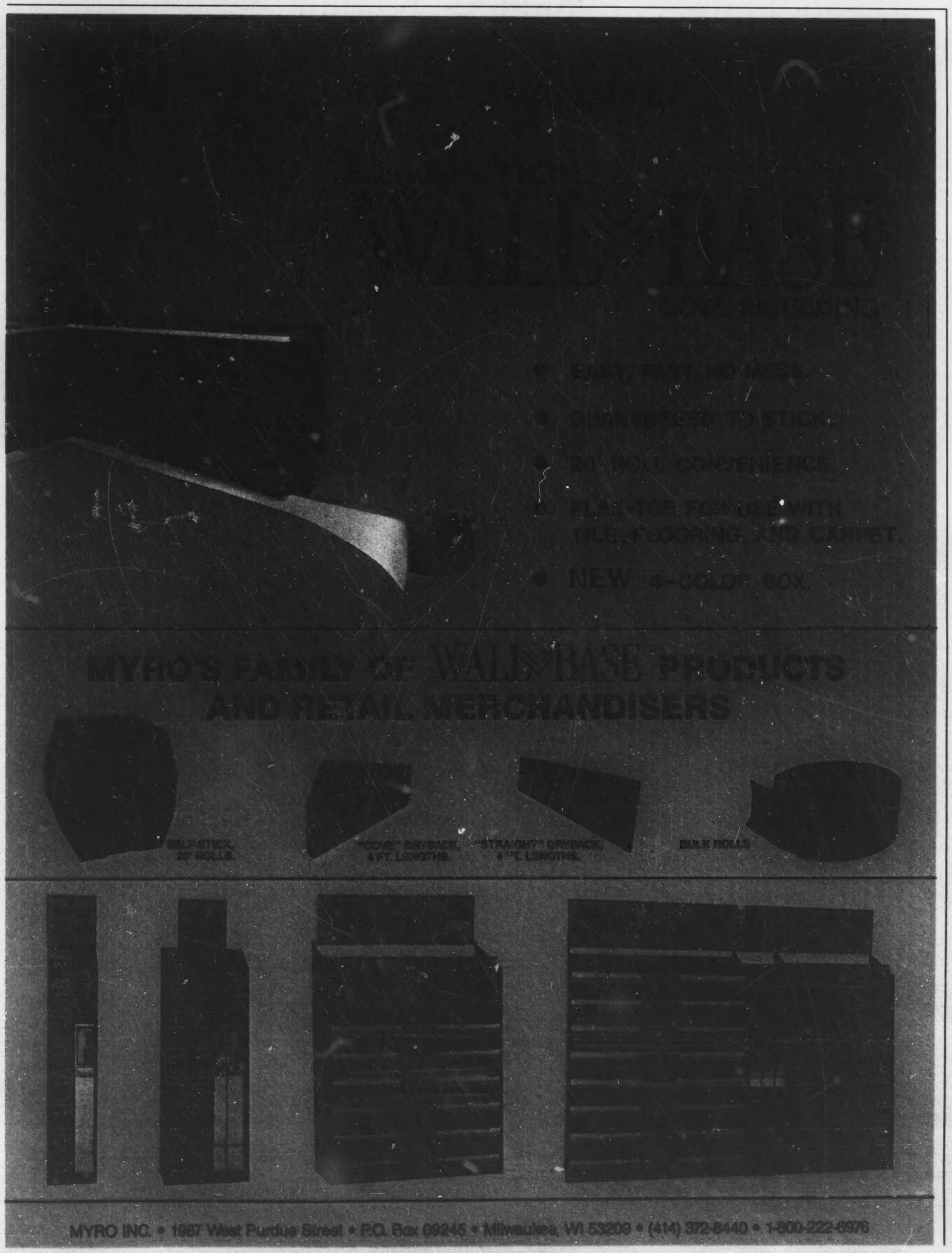
Clean stores important

The shopping environment BIYers want extends to a clean, uncluttered presentation, which would be bad news for the warehouse home centers and most lumberyards.

In the focus groups, homeowners also said they look for stores that can help them with contractors, again giving Sears an edge.

The silver lining for home centers is that even though they may be getting shut out from a good number of BIY purchases, they attract many of the same customers when those homeowners are doing a project themselves.

Consequently, there is a major opportunity for home centers to adjust their presentation and services in a way that will appeal to both groups simultaneously.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BIY & Contractor Shoppers Where They Converge

Contractor traffic influenced by consumer

	High	Medium	Low
BIY High	Kitchen sink, tub, windows, floor	Ceiling, add a room	Roof, rewire room
BIY Medium	Bathroom, tile	Deck	Patio, fence, insulation, family room, faucet
BIY Low	Shelves, room paneling	Room paint	Light fixture, exterior paint, landscaping, door knob, lock

Source: Leo J. Shapiro & Associates for *NHCN*

Because home centers have already snared the DIYer, they are in a good position to attract the BIYer who is often the same person with different shopping needs. The chart shows what product categories are most likely to be shopped by BIYers and where home centers need to alter and concentrate more of their in-store sales and display efforts to accommodate the BIY customer.

Complex jobs help drive BIY shopping

By an NHCN staff editor

Spotting whether a customer is in the store as a BIYer or a DIYer is an inexact science that home centers need to master in order to get the most out of their units.

What's so confusing about this is that the shopping modes homeowners assume varies greatly from product category to product category. But a pattern of sorts does emerge where the BIY activity is higher for some departments than others.

"We had our roof done a couple of years ago," recalled one focus group homeowner. "We left it up to [the contractor]. We only picked out the color. But now, we're doing the bathroom and my husband knew exactly what kind of fixtures he wanted: the lavatory, the sink, whatever. So he bought the fixtures himself."

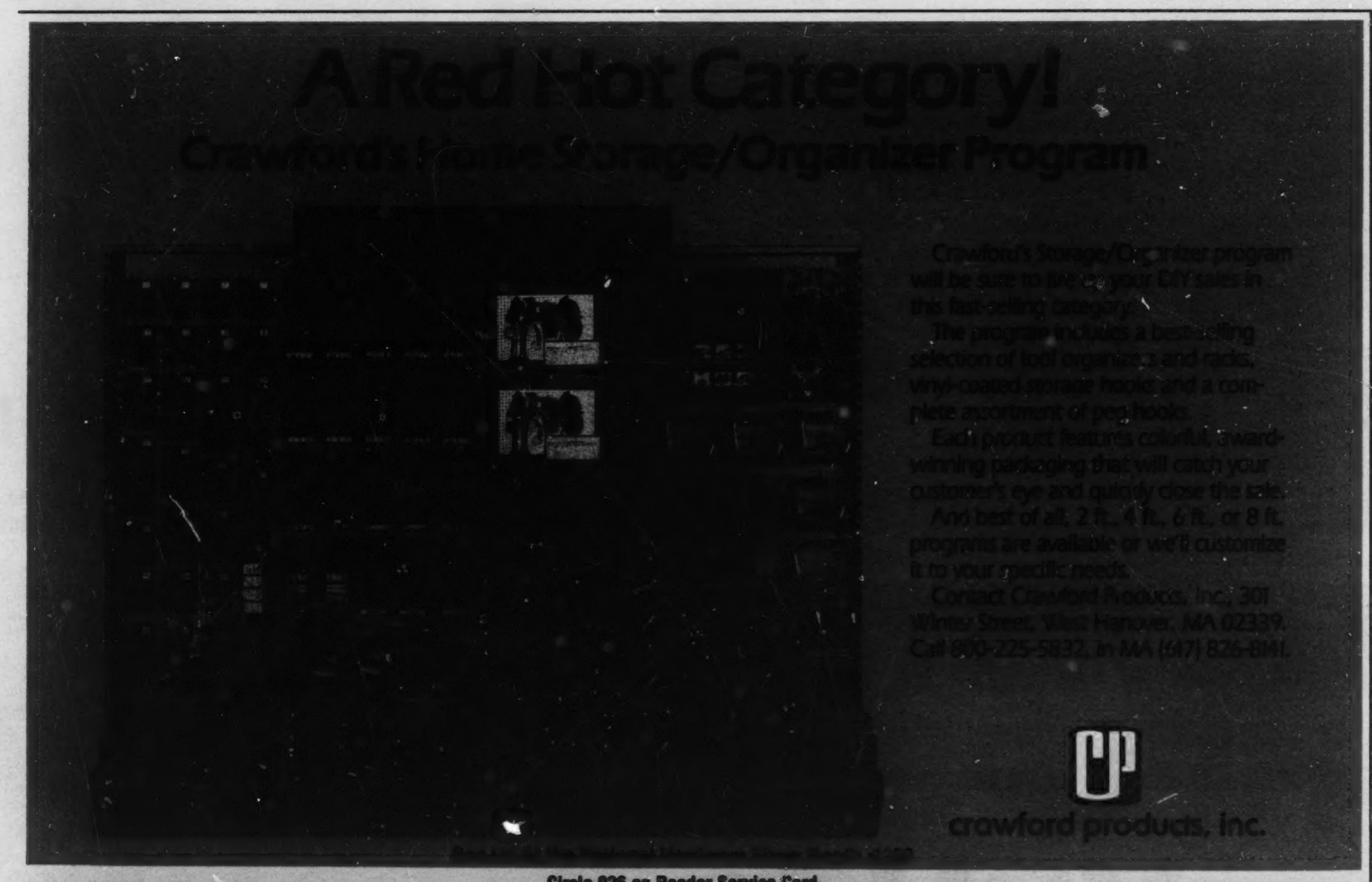
The study found that the more complicated the job, the more likely the customer in a store is there on a buy-it-yourself mission.

The study found that the more complicated the job, the more likely the customer in a store is there on a BIY mission. In the roofing department, more than two fifths of the shoppers are there buying product for contractors; 38 percent buy kitchen counters and cabinets for contractors they have hired; 37 percent for sinks and tubs.

In contrast, only 5 percent of the traffic in a store's paint department would be buying interior paint for a contractor. The same low level of BIY activity can be found for door hardware and shelving (*see matrix chart*).

The home center looking to service this BIYer must also keep in mind that this customer may actually be a contractor in the store—usually grudgingly—at the behest of the homeowner. While these consumers account for only a small percentage of the overall home improvement traffic, they account disproportionally for those consumers who are more likely to go to a hardware store or specialty house than a home center for project purchases.

All told, dealers need to determine which of their product lines are more likely to be bought by BIYers. Once that is figured out, the dealer can then reorient his store's services, its displays, the quality of its salespeople and other factors needed to appease both the BIYer and the occasional contractor coming through the door to buy materials for big-ticket projects.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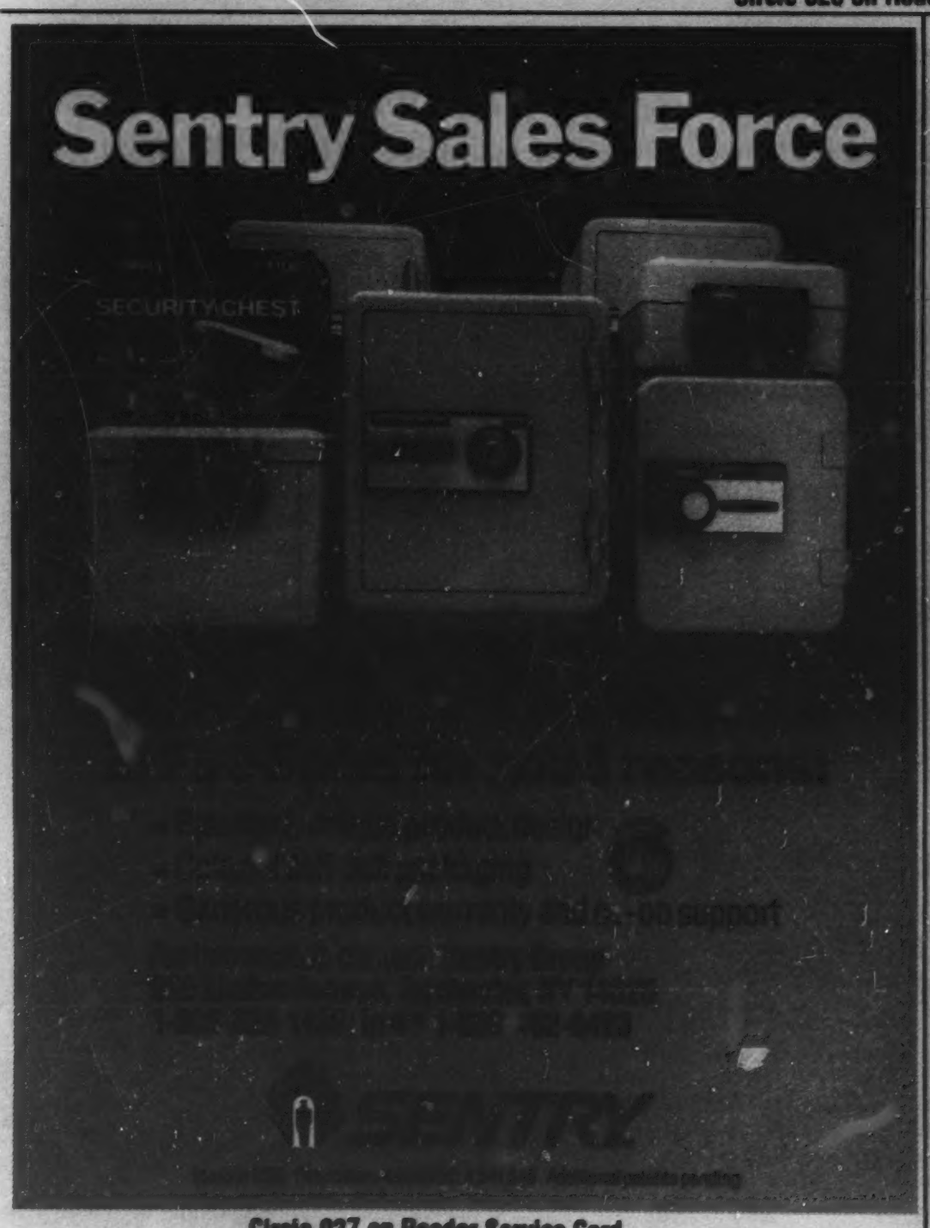

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Perspectives

consumer attitude study

Home centers need to rethink how to attract 'shadow market'

By an NHCN staff editor

Home centers, to this point, are not viewed as allies of those consumers who are working with contractors and need help selecting products for that home improvement job.

This failure is no reflection on emphasis a store has placed on attracting do-it-yourselfers, nor does it necessarily uncover deficiencies in a store's marketing or in-store presentation.

Pro assistance cloudy

However, home center operators need to realize that while the consumer can look out and see an unprecedented array of stores that articulate and support DIY, the sources of professional assistance are cloudy and uncertain.

As a DIYer, a homeowner is in the driver's seat, but as a BIYer "he faces a seller's market in which he suspects he is an easy victim" of the remodeler and the dealer, according to the study.

Home centers have succeeded beyond expectation in motivating the homeowner to engage in home improvement. And, as the study shows, most people want to do the job themselves, unencumbered by outside forces. But the employment of a contractor "is often a matter of circumstance and not preference," the study points out, where time constraints, limited ability and even age come into play.

Home centers have succeeded beyond expectation in motivating the homeowner to engage in home improvement. And, as the study shows, most people want to do the job themselves, unencumbered by outside forces. But the employment of a contractor "is often a matter of circumstance and not preference," the study points out, where time constraints, limited ability and even age come into play.

Buy-it-yourselfers, then, are a kind of distressed breed looking for stores to come to their rescue. However, home centers have taken a far too narrow view of the market by overlooking the fact that DIYers—their main customers—sometimes have to become BIYers with entirely different shopping needs.

The "shadow market"

Because of their approach, home centers are not effectively competing for that "shadow market," the 28 percent of retail sales generated by homeowners in stores as a buy-it-yourselfer. "In this high stakes competition, the home center is losing trips to other retailers who are responding more effectively to the needs of a buy-it-yourself trip," the study states.

The home center, though, is in a good position to be in the vanguard of assisting this BIY universe by virtue of its stores' appeal to DIYers. But a home center "has to be more explicit about wanting this business," according to the study "so the shopper can recognize the home center as his ally—his advocate—in using contractors."

The consumer needs a store that will instill confidence in him to deal with contractors. He needs to be able to defend the purchases he's made for a project, which may mean that home centers offer strong warranties on their merchandise.

Store must be authority

In essence, "the store must become an authority when it is used by shoppers to source supplies for contractors," the study concludes.

But in taking this stance, the home center must not set itself up as an adversary to the contractor, but must instead provide what is needed to reduce the friction between the homeowner and remodeler so each can accommodate the other. (The solution to this problem may find home centers taking a more active role in recommending contractors to consumers.)

The study ends by saying that "whether a store focuses exclusively on the consumer or seeks to attract both consumer and the trade, it has a stake in making friends with the contractor to support its effort to win with the shadow market."

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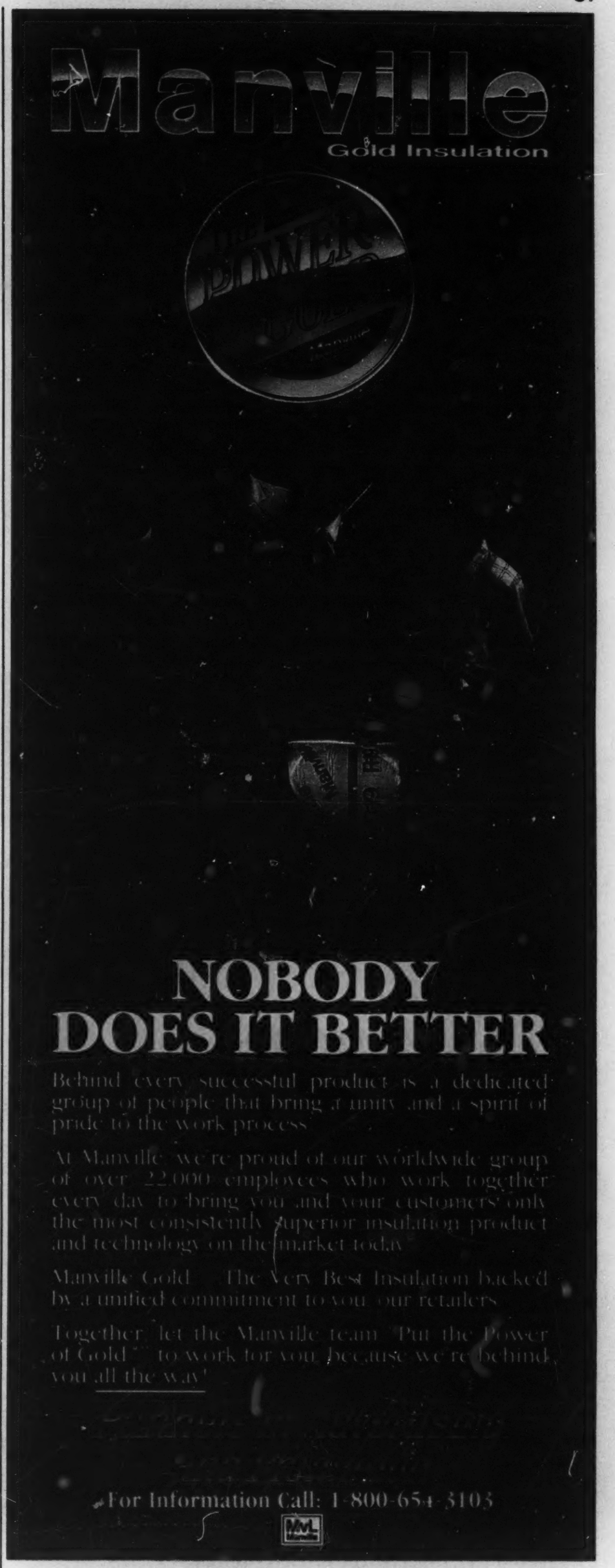

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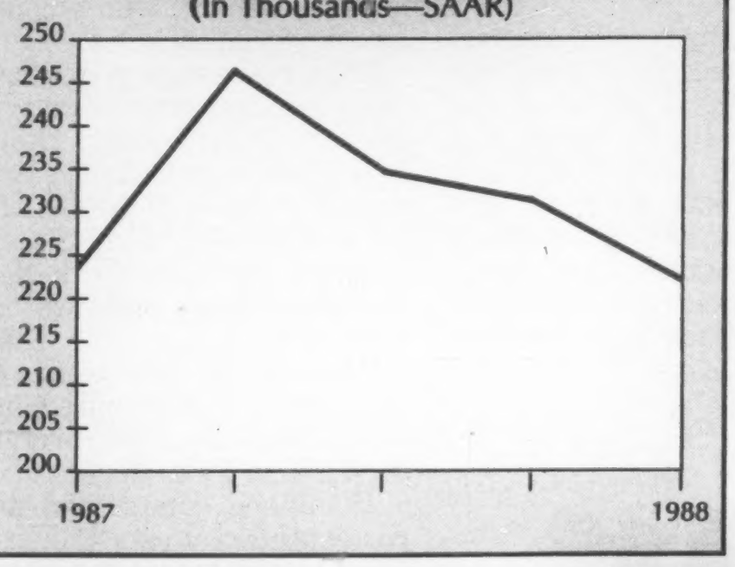
Business Watch

Section 4

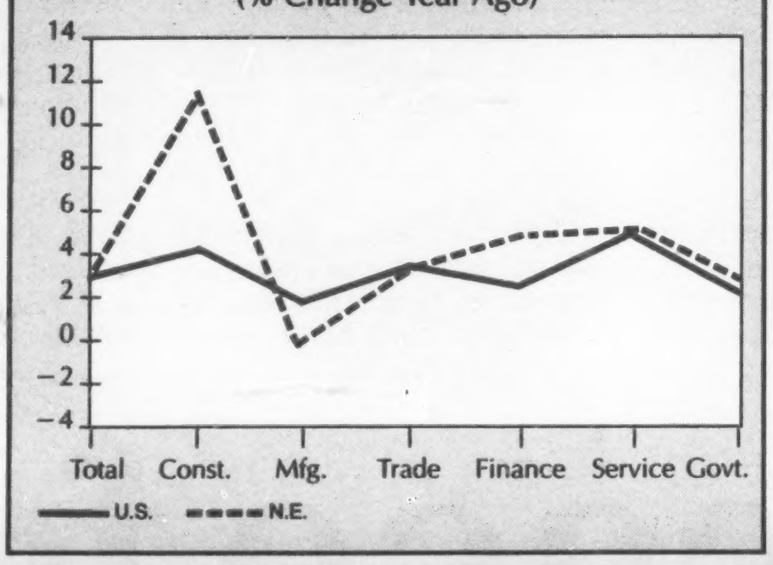
While sales soften . . .

New England Resales
(In Thousands—SAAR)



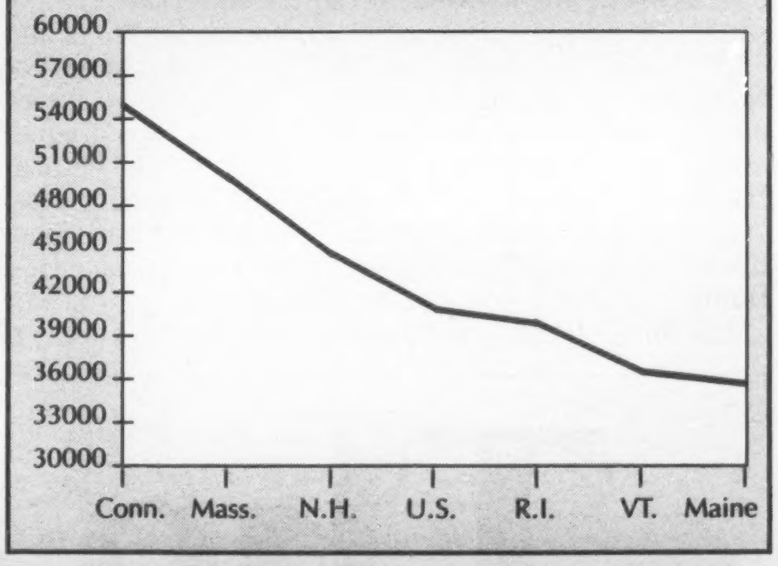
. . . and employment eases . . .

Employment
(% Change Year Ago)



. . . strong income will sustain sales.

1987 Average Household Income



Gap between sales for New England and nation narrows

By Richard E. Mount
Special to NHCN

Building material sales in New England are expected to increase 6.7 percent this year, slightly stronger than the 5.6 percent national gain. Adjusted for price increases, the regional gain will be closer to 3.5 percent. The big news is that the gap between the region and the nation is narrowing. Last year, New England building materials sales rose 18.8 percent, but only 6.8 percent nationally.

Resales in New England, usually the best indicator of future building materials sales, have been drifting down for the last three quarters. But in the first quarter of 1988 they were still 3.2 percent higher than a year ago. The major problem for the regional resale market is price. While the median price of a resale nationally is about $88,000, in Boston it is closer to $177,000; Hartford, Conn., $166,000; and Providence, R.I., $123,000. These sharply higher prices hinder relocation by homeowners outside the region.

Richard E. Mount

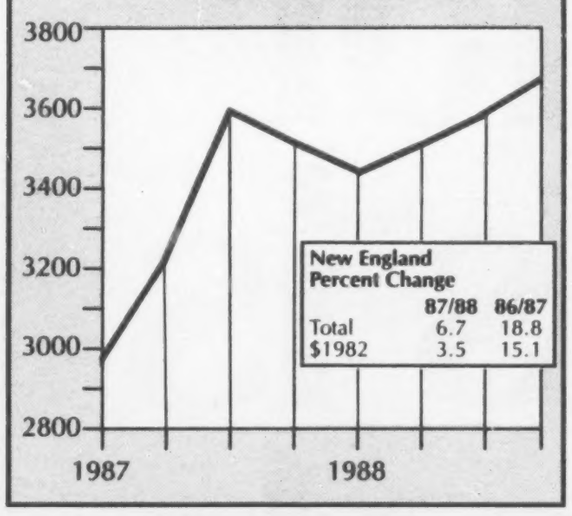
High household income is a major factor for the strength in building materials sales for the region. The three most populated states enjoy average annual household incomes well above the national average of $40,500. Connecticut, at almost $55,000, has the highest level in the nation; Massachusetts is fourth at $49,000 and New Hampshire ninth at $45,000.

The economies of Connecticut and Massachusetts are slowing now with year-to-year employment gains of about 2.5 percent, held back by weakness in manufacturing. Maine, New Hampshire and Vermont are showing more rapid gains from 4.1 percent to 5.7 percent, propelled by construction, manufacturing and trade. Rhode Island remains the weakest state in the region because of its manufacturing base although, with a gain of employment of 1.9 percent, the state is healthy by other regions' standards.

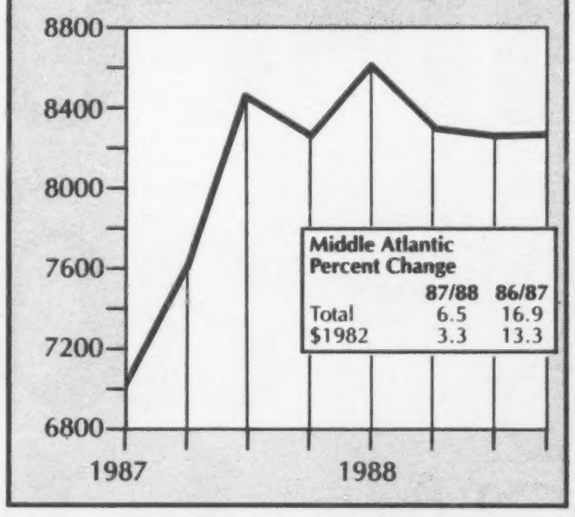
Richard Mount is president and chief economist with Mount Economic Consulting.

Regional Outlook: Building Material Sales

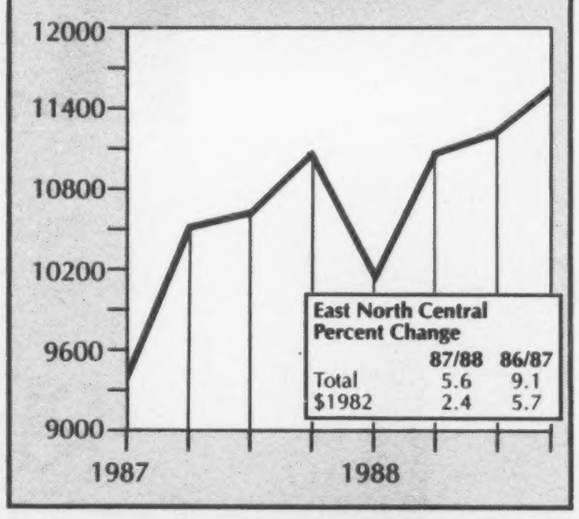
New England
Millions of Dollars



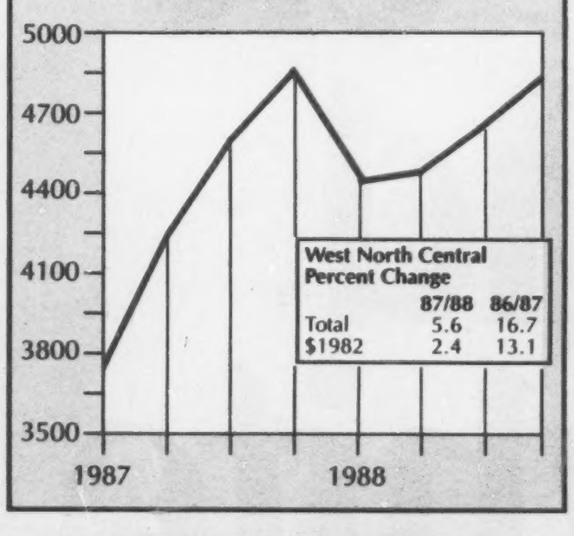
Middle Atlantic
Millions of Dollars



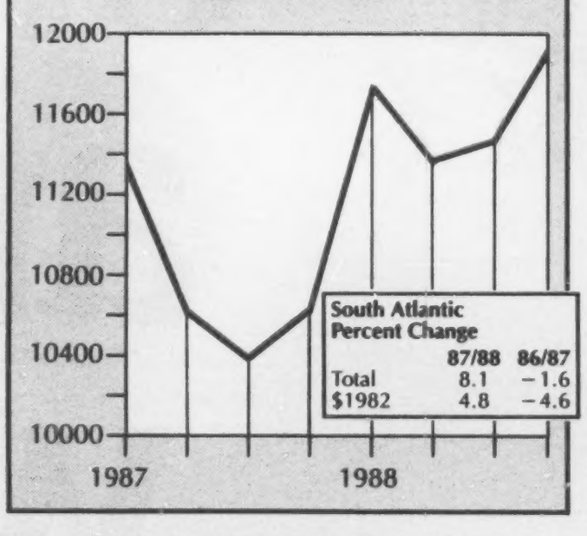
East North Central
Millions of Dollars



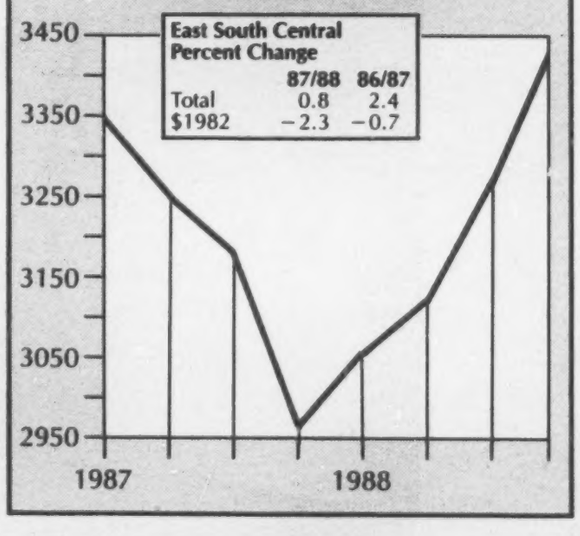
West North Central
Millions of Dollars



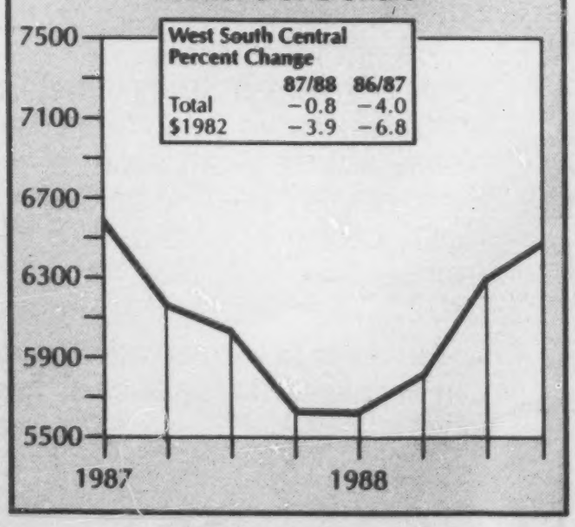
South Atlantic
Millions of Dollars



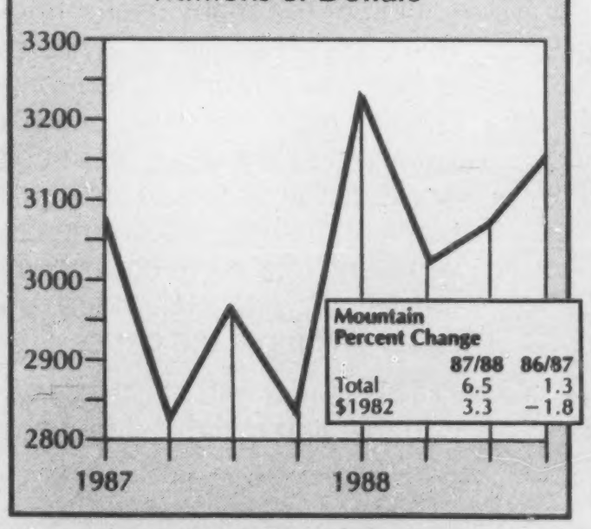
East South Central
Millions of Dollars



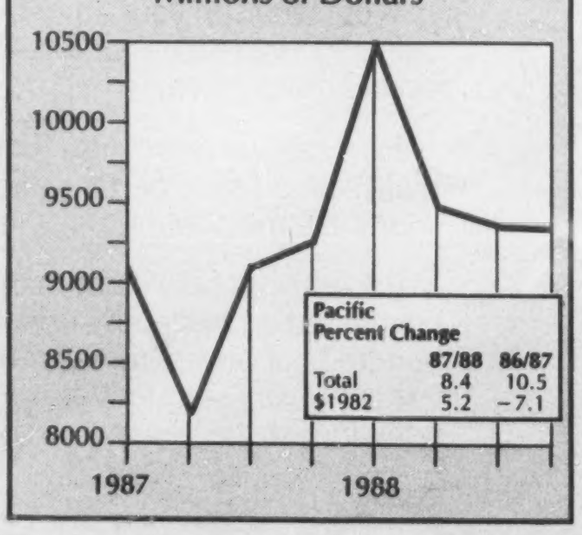
West South Central
Millions of Dollars



Mountain
Millions of Dollars



Pacific
Millions of Dollars



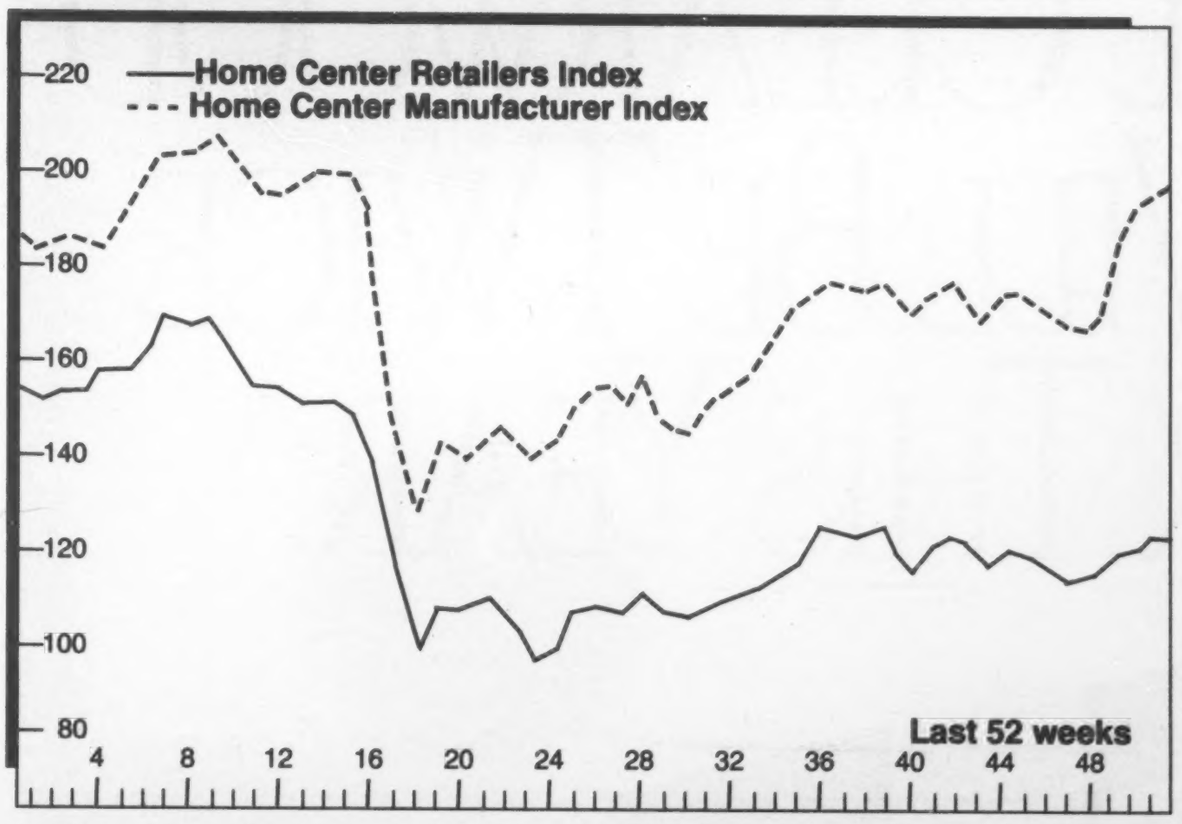
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on June 24, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Industry stocks on an upswing

The two-week period ended June 24 was one of the best that home improvement company stocks have experienced in several months. Thirty-nine firms saw their stock prices rise in this period, versus 15 whose prices dropped and two whose prices were flat.

Publicly held dealers fared particularly well these two weeks. They were led by General Building Products, whose stock jumped 15 percent to $5.75 per share and Grossman's, whose price rose 12 percent to $7.

On the down side, Lowe's two-week performance was off 6.1 percent to $21.25. And Wickes Cos. stock continued to fall this period by 4.8 percent to $9.88. Wickes chairman Sanford Sigoloff faced angry shareholders at the company's annual meeting in late June, who complained that since the company split its stock 1-for-5, the value of their holdings has fallen from an estimated $23 per share.

Surprisingly, there was little movement in Payless Cashways' stock, even though nearly 98 million shares were traded during the period. Payless, whose management has made a bid to take the company private, continued to be pursued by a group led by investor Asher Edelman. Its stock price was flat at $25.63.

Among home improvement manufacturers, DeSoto, the paint maker, enjoyed the best percentage price increasing, as its stock price rose 11.3 percent to $3.75. Other big gainers were Ply-Gem Industries (9.4 percent to $14.50) and Waxman Industries (9.6 percent to $15.75).

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 6-24-88	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.75	.75	15.0	5.75	5.25	11.75	4.00	515	1.28	.83	54.2	12.5	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc ..... M	7.00	.75	12.0	7.38	6.25	10.00	4.13	18,521	7.09	1.86	281.2	14.0	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	20.00	.75	3.9	20.25	19.25	26.50	14.25	9,004	6.25	2.74	128.1	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	19.75	.75	3.9	20.00	19.00	26.75	15.50	938	.58	.22	163.6	16.9	.06	.3	.....	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot ..... N	29.00	1.25	4.5	29.75	27.38	29.75	12.13	23,919	4.87	1.63	198.8	23.8	.12	.4	.....	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc ..... N	43.50	.13	.3	44.25	42.50	54.00	29.50	11,342	3.13	1.18	165.3	12.4	1.72	4.0	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp ..... N	35.50	1.13	3.3	35.75	34.13	48.38	21.63	37,378	1.86	1.06	75.5	10.3	1.32	3.7	.....	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos ..... N	21.25	- 1.38	- 6.1	23.25	21.00	29.38	15.25	10,952	2.76	.90	206.7	13.3	.44	2.1	.....	3 mos.	04-88	590.6	3.8	15.1	17.1	.39	18.2	590.6	3.8	15.1	17.1	.39	18.2
Natl Hardgoods ..... M	5.13	.50	10.8	5.13	4.63	9.25	3.75	70	.52	.50	4.0	9.5	.00	.0	NEW	3 mos.	04-88	9.8	11.4	- .1	NC	- .06	- 100.0	9.8	11.4	- .1	NC	- .06	- 100.0
Natl Lumber ..... M	3.13	- .13	- 3.8	3.13	3.00	5.75	2.50	94	.17	.31	- 45.2	NE	.00	.0	NEW	*	04-88	NC	NC	NC	NC	NC	NC	38.1	NC	.1	NC	.01	NC
Payless Cash ..... N	25.63	.00	.0	26.13	22.50	26.13	9.63	97,616	28.17	7.79	261.6	32.4	.16	.6	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	13.63	.25	1.9	14.13	13.00	15.88	10.00	912	.62	.30	106.7	17.2	.52	3.8	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	37.25	1.63	4.6	37.50	35.13	59.50	26.00	61,231	1.62	1.60	1.3	9.2	2.00	5.4	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Prt ..... N	13.50	.13	.9	14.13	13.00	31.88	10.63	4,546	8.64	2.25	284.0	NE	.00	.0	.....	3 mos.	04-88	73.8	- 6.5	1.1	- 74.4	.13	- 75.0	73.8	- 6.5	1.1	- 74.4	.13	- 75.0
Strober Organiz ..... M	11.00	- .88	- 7.4	11.75	11.00	13.00	6.25	429	.71	.36	97.2	14.5	.00	.0	.....	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos ..... N	9.88	- .50	- 4.8	10.25	9.63	22.50	7.25	15,738	3.29	1.45	126.9	NE	.00	.0	.....	3 mos.	04-88	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0
Wolohan Lumber ..... M	14.38	- .13	- .9	15.13	14.38	18.75	8.75	1,281	2.19	1.28	71.1	9.6	.24	1.7	.....	3 mos.	03-88	42.3	2.9	.8	- 20.0	.14	- 22.2	42.3	2.9	.8	- 20.0	.14	- 22.2
Zayre Corp ..... N	20.88	- .25	- 1.2	22.13	20.25	37.00	13.50	29,331	5.17	5.10	1.4	11.5	.40	1.9	.....	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply ..... N	18.13	.78	4.5	18.25	17.44	20.19	13.19	692	1.39	.58	139.7	9.6	.32	1.8	.....	3 mos.	04-88	116.5	21.6	2.1	5.0	.43	10.3	116.5	21.6	2.1	5.0	.43	10.3
Moore Handley ..... M	4.75	.75	18.8	4.75	4.00	9.00	3.75	152	.62	.23	169.6	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	11.13	.38	3.5	11.13	10.75	11.50	5.75	507	1.34	3.97	- 66.2	25.9	.28	2.5	.....	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods ..... M	10.75	.25	2.4	11.50	10.75	11.81	6.31	202	.78	.82	- 4.9	15.4	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.17	54.5	17.5	90.2	.4	33.3	.17	54.5
Am Standard ..... N	77.38	.13	.2	77.50	77.13	78.25	30.50	273	.09	1.07	- 91.6	18.4	1.80	2.3	.....	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark ..... M	8.13	- .38	- 4.4	8.63	8.13	14.09	5.91	501	.67	.17	294.1	11.6	.00a	.0	NEW	fiscal	04-88	33.5	14.3	.9	- 40.0	.12	- 40.0	129.5	11.8	5.3	- 22.1	.70	- 23.9
Armstrng Wrld ..... N	38.38	- 1.88	- 4.7	40.63	37.00	47.38	22.50	11,782	2.55	2.00	27.5	11.5	1.00	2.6	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker ..... N	23.50	1.75	8.0	23.88	21.63	26.50	13.00	25,145	4.30	2.23	92.8	18.1	.40	1.7	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	46.50	.88	1.9	47.50	44.00	51.16	28.81	12,042	2.67	1.42	88.0	10.6	1.20	2.6	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl ..... N	36.88	1.50	4.2	38.00	34.75	44.63	21.75	32,664	3.44	1.71	101.2	8.2	1.00	2.7	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl ..... M	4.75	.25	5.6	4.88	4.50	16.50	4.50	4,339	8.53	1.24	587.9	NE	.00	.0	.....	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus ..... N	58.75	- 1.25	- 2.1	62.00	57.13	74.50	39.00	10,937	2.16	1.08	100.0	16.5	1.80	3.1	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	37.00	3.75	11.3	37.75	33.00	42.00	21.00	1,819	4.56	1.06	330.2	14.5	1.40	3.8	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp ..... N	22.00	.88	4.1	22.88	20.88	26.63	15.50	14,014	2.24	.64	250.0	12.4	.80	3.6	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	42.25	2.25	5.6	42.63	39.38	48.38	22.75	24,672	2.33	1.34	73.9	9.3	1.20	2.8	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp ..... N	20.63	1.25	6.5	20.88	19.25	28.13	14.00	4,508	2.16	1.02	111.8	NE	1.00	4.8	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	32.75	2.13	6.9	34.50	30.50	39.75	21.50	16,712	4.36	1.27	243.3	8.1	.92	2.8	.....	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel ..... M	16.88	.63	3.8	16.88	16.13	23.50	12.00	8,016	.78	.57	36.8	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	2.13	.00	.0	2.13	2.00	4.50	2.00	3,431	1.43	1.21	18.2	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	29.25	- .38	- 1.3	30.38	27.25	39.25	18.75	33,766	2.55	.98	160.2	16.0	.40	1.4	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	6.00	.25	4.3	6.13	5.50	12.50	5.50	127	.51	.47	8.5	NE	.01	.2	.....	3 mos.	03-88	55.4	- .2	- .4	- 100.0	- .18	- 100.0	55.4	- .2	- .4	- 100.0	- .18	- 100.0
Newell Co ..... N	43.00	2.63	6.5	44.25	40.25	44.25	21.13	1,815	1.57	1.03	52.4	14.9	1.00	2.3	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	8.13	.25	3.2	8.63	7.50	14.63	5.00	6,217	4.06	1.30	212.3	NE	.10	1.2	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn ..... N	20.63	1.00	5.1	21.25	19.50	27.00	9.00	11,605	2.90	1.49	94.6	3.9	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem ..... A	14.50	1.25	9.4	14.50	13.25	17.75	9.00	1,752	1.57	.75	109.3	21.6	.12	.8	.....	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot ..... N	18.50	- .75	- 3.9	19.50	18.13	27.25	9.75	2,720	2.28	1.04	119.2	7.6	.50	2.7	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp ..... N	31.00	1.13	3.8	31.50	29.38	39.25	21.00	3,120	1.17	.58	101.7	9.0	.92	3.0	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds ..... N	46.13	2.75	6.3	46.88	43.50	51.25	27.50	31,505	2.64	.96	175.0	13.1	1.20	2.6	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Rep Gypsum ..... N	5.38	- .50	- 8.5	5.88	5.25	8.75	4.63	734	.73	.25	192.0	25.6	.36	6.7	.....	9 mos.	03-88	11.9	- 5.6	.1	- 80.0	.01	- 83.3	39.3	- 9.0	1.3	- 61.8	.13	- 60.6
Sherwin-Wms ..... N	26.88	- .25	- .9	27.88	26.88	36.13	20.13	8,889	2.03	.92	120.7	12.4	.64	2.4	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	28.75	- .25	- .9	29.75	27.50	36.63	21.25	6,385	1.49	.64	132.8	13.8	.88	3.1	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	22.88	1.00	4.6	24.50	22.13	24.50	13.81	1,776	1.69	.66	156.1	13.0	.68b	3.0	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind ..... N	31.00	- .38	- 1.2	31.50	30.88	44.00	22.50	9,411	4.15	1.66	150.0	14.8	.12	.4	.....	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp ..... N	37.75	2.13	6.0	38.38	35.25	47.63	26.00	19,916	2.70	1.10	145.5	11.9	1.24	3.3	.....	3 mos.	03-88	645.4	20.2	57.7	53.2	.95	58.3	645.4	20.2	57.7	53.2	.95	58.3
USG Corp ..... N	47.88	1.25	2.7	48.13	46.88	55.88	23.50	70,670	13.69	5.60	144.5	15.5	1.12	2.3	.....	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind ..... M	15.75	1.38	9.6	15.75	14.25	15.75	7.25	3,625	5.93	2.41	146.1	16.6	.14	.9	.....	9 mos.	03-88	38.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.76	87.5
Weyerhaeuser ..... N	27.75	.63	2.3	28.75	26.63	38.34	12.69	45,187	1.47	.78	88.5	14.0	1.20	4.3	.....	3 mos.	03-88	1855.5	14.7	114.2	12.1	.38	- 28.0	1855.5	14.7	114.2	12.1	.38	- 28.0

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Dillistin digs in for the long haul in defiance of arsonists

(Continued from page 7)

Defiance is a major ingredient in the comeback of Dillistin Lumber and accounts for its elaborate security measures. Part of the company's ad campaign proclaims: "The fire's out, but Dillistin is still here."

"We have some plans for this company; we do not intend to go anywhere," Fanale said.

The Fanale family bought the century-old company three years ago and has tripled its sales during that time.

But Dillistin Lumber is more complex than a lumberyard. It takes up three blocks on 4.5 acres of land in the heart of what many regard as a tough, inner city neighborhood filled with aging, but salvageable, turn-of-the-century Victorian homes. Much of Dillistin's acreage includes an open, undeveloped tract of land where, as part of its rebuilding, the company erected metal T-sheds for outdoor lumber storage.

Management of the company has become as tough as the city in which it operates in the months since the fire.

"The day after the fire, at 7 a.m., three fully loaded trucks left here for a job," Fanale said. "We did not close the doors, we did not lay anybody off and we continued to meet our orders. That's the kind of commitment to service we're going to continue to keep."

In fact, Fanale now sees the company's recovery and the resurgence of Paterson as one in the same. He steadfastly refuses to throw in the towel and is determined to shape Dillistin into Paterson's premier supplier for both homeowner and contractor.

"Since this Joe Clark thing [the Paterson high school principal whose controversial methods of discipline made national news], Paterson has been nationally recognized as some social service disaster.

"Well, we're about doing something interesting in this city because the city is coming back and we want to be part of that. What it is going to take is a good group of businessmen with a social conscience."

Part of the mix in the new Dillistin is a variety of new service areas and new products. With its showroom now quadrupled in size, Dillistin is moving into products and services that take it beyond a mere old-line lumberyard.

The company has added plumbing, electricals and paint to its product offering and it is also an exclusive dealer of Trus Joist's engineered lumber products, I-beams and MICRO=LAM.

Fanale said he is also flirting with the idea of taking the company into the prehung door and roof truss business.

The new direction in products does not mean that Dillistin wants to change its sales percentage. Fanale said the company is looking to do 10 to 20 percent of its sales with DIYers, 50 to 60 percent with contractor/remodelers and the balance with small home builders.

"Everybody had been great throughout this period, the workers, our suppliers and I can't say enough about Pennsylvania Lumbermen's [Mutual Insurance Co.]."

Management and Payless pen buyout pact

(Continued from page 1)

shares being tendered. Following the acquisition, PCI would be merged into Payless.

PCI's financing is expected to come from a crazy-quilt of sources. Morgan Guarantee Trust Co. and Canadian Imperial Bank of Commerce are expected to provide a $600 million term loan and $75 million in working capital. BPC Partners—a partnership formed by the general partners of Goldman Sachs (Payless' investment banker and the financial adviser to PCI) and Citibank—is expected to provide a $335 million subordinated bridge loan.

The wild card in the financing is Masco Corporation, whose Masco Capital Corp. is expected to participate in the acquisition through the purchase of $40.6 million of convertible preferred stock and $168.3 million of junior subordinated debentures.

In return, Payless and Masco—best known for its Peerless Faucet line—signed a multiyear supply pact of unspecified length.

Common equity totaling $78.8 million will be provided by participants that include Payless' senior management; H.C. Crown Corp., an affiliate of Kansas City-based Hallmark Cards; Broad Street Investment Fund I; Goldman Sachs; Citicorp Capital Investors and Morgan Capital Investors.

The company expects a "substantial number" of Payless employees to invest in stock options and restricted stock equaling up to 15 percent of Payless' common equity, granted over three years.

"The key people to Payless performance will now have a large equity stake in the company's future," said Stanley in a prepared statement.

A special committee of independent Payless directors approved the agreement on the advice of Alex Brown & Sons that the price would be "fair to shareholders."

Stanley was emphatic that PCI would not parcel off any major part of Payless and foresaw the closing of no more than 10 stores. He did anticipate a "reduction in support staff," but gave no number.

Prior to the definitive agreement, the Edelman group was approaching such chains as Channel, Menard's, Wolohan Lumber and Erb Lumber in an effort to pre-sell parts of Payless in the event it took the company over.

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British firm denies reports that it wants to buy Payless

By Gary S. Ruderman

KANSAS CITY, Mo. — Ward White plc, the British holding company that operates Payless DIY, the United Kingdom's third largest DIY chain, has denied published reports that it is interested in acquiring 200-store Payless Cashways based here.

Ward White already owns Whitlock, a Chicago-based auto parts retailer, and it has a stake in Wiener Enterprises, which owns Builderama, the 11-store home center operation in Savannah, Ga. The company has expressed a desire to increase its U.S. interests.

However, Ward White spokesman David Bick said the company never approached Payless Cashways about an acquisition. Ward White, he charged, was instead "used as a whipping boy" to keep interest brewing in Payless.

"Payless Cashways, through an investment banker,

(Continued on page 97)

Williams Bros. puts retail lumber division on block

By an NHCN staff editor

ATLANTA — The retail lumber division of Williams Brothers, the nine-unit contractor chain here, will be up for sale within the next month to six weeks, the company reported.

John Bourdeaux, president of Blue Circle Holdings, an international concrete manufacturer that is Williams Brothers' parent company, said the division will be sold because it did not fit in with the overall strategic plans of the owners.

He said the decision to sell the division was made in late June.

(Continued on page 98)

Williams Brothers plans to sell its nine-unit contractor chain in the next four to six weeks. Pictured is the Marietta, Ga., unit. NHCN photo

Yard King liquidates citing lack of financing, stock market crash

By Milford Prewitt

MARGATE, Fla. — The lack of financing to expand, problems with zoning boards and the collapse of the Stock Market caused the demise of what once promised to be a major warehouse lawn and garden retail chain.

Yard King Warehouse here, which opened four stores and had a grand vision of operating 25 units by 1990, quietly filed for Chapter 7 in January, under which its executives have liquidated the operation.

Its cofounders, president Jack Getzinger and executive vp John Tilton, struggled un-

(Continued on page 97)

John Tilton (l), executive vp and Jack Getzinger (r), president of Yard King Warehouse cited lack of financing as one of the reasons behind the company's liquidation. NHCN photo

Westlake cuts staff at Florida franchise; division pres. resigns

By an NHCN staff editor

MIAMI — Lone Star Hardware, the franchise operation of Lenexa, Kan.-based Westlake Hardware, has made major staff reductions in its Florida operation in response to poor earnings peformance.

Lone Star president Tom Seifert resigned July 8. He joined the company in 1983 when it was known as Lindsley and owned by Evans Products.

During his tenture, the company's merchandise orientation changed as often as its ownership—from home center to a decorator center to hardware.

Seifert's departure, less than a year after the purchase by Westlake in October 1987, was simultaneous with a staff consolidation that reduced administrative staff to 55 from 83.

The 22-unit Florida operation lost seven purchasing officials, a number of divisional managers and Martin Amici,

(Continued on page 97)

Dealers hinge hopes on door and window departments

By Edward McKinley

NATIONAL REPORT — A competitor's radio commercial planted the seed of an idea in Bruce Meltzer's mind.

"I heard an ad for Rickel advertising 'the floor store,'" said Meltzer, president of the nine-store General Building Products chain based in Medford, N.Y.

Meltzer adapted that idea of a specialized department by pulling together doors and windows. He went a step farther by assigning a staff millwork specialist to each store.

He thus became one of a number of home center operators now combining doors and windows to create a "store within a store" that can rival the specialty shops for big-ticket millwork sales.

Key elements of the new departments include knowledgeable sales help and attractive displays, both important factors in selling consumers and contractors alike.

Industry observers said independent home centers and lumberyards—usually with heavy commitments to contractor business—have led the way in merchandising millwork.

Meltzer, for example, is giving his 1,200-square-foot departments a "store within a store" identity by advertising doors and windows together, never in an ad for other products, Meltzer said.

The category warrants attention, Meltzer said, because, "We believe that windows and doors are a big-ticket item."

On New York's affluent Long Island, typical window and door packages for an entire house range from $4,000 to $8,000, he said.

Most important, Meltzer said the departmental approach helps his people sell the big packages.

The departments have

(Continued on page 94)

INSIDE

The Great Backyard

Homeowners are flocking to home centers' lawn and garden departments as deck building, gardening and landscaping become increasingly popular. The category has posted robust sales figures over the past two years. Total lawn and garden sales rose a full 23 percent in 1987 to $17.5 billion, which is even more impressive given the 18 percent sales jump in 1986.

NEWSBREAKS

BUILDERS SQ. ENTERS NEW ENGLAND: Builders Square will open its first New England store, in Dartmouth, Mass., on July 28. This will be followed shortly by the openings of stores in Orange, Conn., and Farmington, Conn., in mid-August, according to local store personnel. All three stores are sited in converted K mart stores and [illegible]rage 100,000 square feet. The Dartmou[illegible] situated on Faunce Corner Road, is abou[illegible]mile from a future Somerville Lumber store.

INDUSTRY UPDATE

Lloyd expects offer this month

BRIDGEPORT, Conn. — Wright Investors Services, the company handling the sale of Lloyd Home and Building Centers, expects a letter of intent to be signed between the company and purchaser this month, according to Dov Sadeh, the senior vice president.

Both domestic and international companies are still interested in Lloyd, and are currently seeing the stores and distribution centers and interviewing management.

The 34-unit company was placed on the block by its parent, American Maize Products, on April 6 following four years of losses estimated at $17.8 million.

Eclipse to receive new funding

ST. LOUIS — A post-petition financing order by a federal bankruptcy court judge here authorized the transfer of $350,000 to Eclipse Industries for additional inventory, according to Eclipse's attorney Stuart Radloff of Rosenblum, Goldenhersch, Silverstein and Zafft here.

Eclipse, parent company of five B&B Home Centers, is currently under protection from creditors under Chapter 11 of the Federal bankruptcy laws. Since filing for Chapter 11 June 10, Eclipse has received $822,000 from Citicorp Capital Corp., $450,000 of which was used for inventory.

By mid-July attorneys reported no agreement had been struck in the simmering dispute between founder and 20-percent owner Steve Feinstein and Dallas investor Don Navarro, who holds 80 percent of Eclipse, over control of Eclipse (*NCHN*, July 11).

Ray Lumber plans to reorganize

GLENDALE, Ariz. — Ray Lumber hopes to present a plan of reorganization under federal bankruptcy statutes by mid-July, new president Thomas E. Wilson said.

Ray Lumber, which reportedly had sales of $30 million last year, shuttered its home center retail operation at its main facility here, but continues to operate its prehung door manufacturing plant (*NHCN*, March 7).

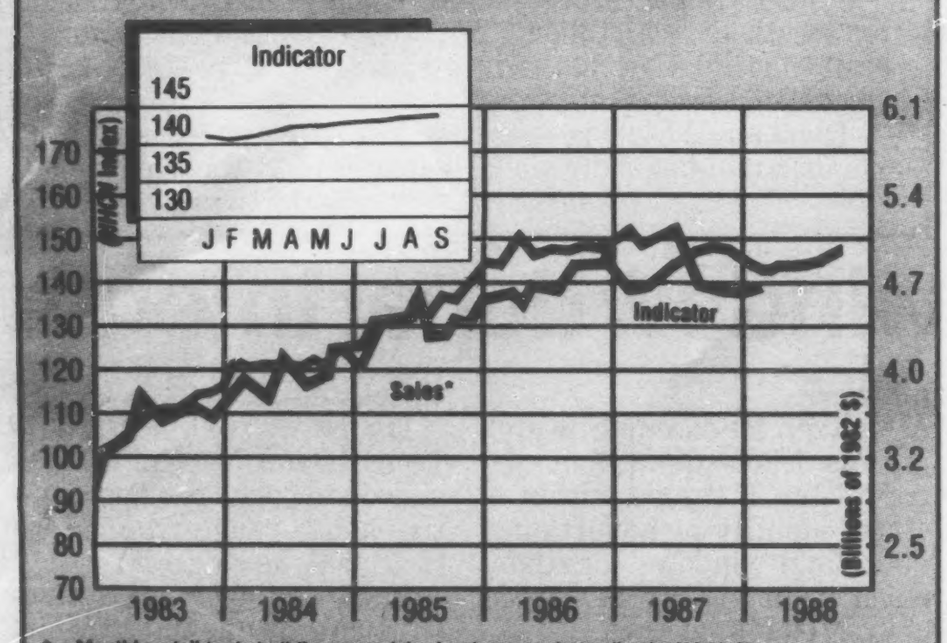
The lumber dealer also has kept its yard in Lake Havasu, Ariz., open, Wilson said. He declined to provide details of the company's financial status. The company filed a bankruptcy petition on May 24, saying it had 280 secured and unsecured creditors.

Wilson joined Ray Lumber in March to oversee the company reorganization. He said the business problems could be blamed on "the housing slowdown in Phoenix."

Multifamily housing starts in Maricopa County (where Phoenix is located) in the first quarter were at the lowest level since 1976. Single-family starts in the quarter were the lowest since 1982.

Wilson said Ray Lumber shuttered a yard in Pagosa Springs, Colo., in October 1987. The company was founded in 1947.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a small gain in building materials sales in the summer due to improvements in resales and incomes. The Business Watch column (page 85) highlights the outlook for additions and alterations, a growing market for retailers.

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Political conventions may cast business towards independents

By Tom Bagsarian

NATIONAL REPORT — The Markel Lumber Co. in New Orleans furnished $800 in supplies to build a fence outside a home last month where a party will be held for *Time Magazine* officials during the week of the Republican convention.

However, hardware and lumber retailers in Atlanta and New Orleans expected only modest increases in sales once the Republicans and Democrats bring their national conventions to town in the coming weeks.

While political party officials work on the candidates' platforms, lumber and hardware store managers are looking forward to working on other platforms—the kind made of building materials.

Most of the larger home centers which are located mostly in the suburbs don't expect the same kind of sales rub off. "We do not expect an increase in sales due to the Democratic convention," said Bernard Marcus, chairman and ceo of Home Depot, the Atlanta-based home center chain with stores in both markets.

However, independent lumberyards and hardware stores near downtown areas expect some increases in business because they are located near the facilities which will hold the thousands of people. "We're looking for it [increase in sales], but we really haven't seen anything yet," noted Doug Eifrid, store manager of Intown True Value in Atlanta, the site of the Democratic National Convention later this month. Intown bumped its-store's electricals inventory by $2,000 and "We're just waiting and watching."

Eifrid expects an increase in the sale of electrical equipment and extension cords, primarily for communication centers both inside and outside Atlanta's Omni Convention Center, where the Democrats will meet.

In New Orleans, where the Republicans will meet in August, there may not be as much to prepare for. Of the $240,000 alloted for work in the Superdome, a large por-

(Continued on page 98)

Long Island's General Building Products buys south N.J. chain

By an NHCN staff editor

MEDFORD, N.Y. — With its acquistion of a three-yard southern New Jersey chain, General Building Products becomes a nine-yard lumber and building materials chain and is looking to break the $100 million sales barrier this year.

The Long Island-based company bought Dee Wood Industries from U.S. Home Corp., a major national homebuilder, June 27 for $16.8 million.

Dee Wood operated three locations in Linwood, Manahawkin, and Cape May Courthouse, N.J.

Bruce Meltzer, General Building Products' president, said the purchase of Dee Wood fulfills one of the missions his company set out to accomplish last year in its initial public offering.

"It's no secret that part of the use of the proceeds from our March 18, 1987, public offering was for expansion," Meltzer said, "and that expansion involved New Jersey.

Bruce Meltzer, president of General Building Products, Medford, N.Y. NHCN photo

"We're excited about this because Dee is an old-line, well-respected lumberyard with more than 30 years doing business in that community."

With General Building Product's 1987 annual sales in excess of $68 million and Dee Wood's 1987 volume of $37 million, the Medford, N.Y.-based company stands to enjoy combined sales in excess of $100 million.

Meltzer said Dee will be operated as an independent subsidiary in that the management and personnel at Dee will be retained and permitted to operate the division unencumbered by General Building Products. He said that Dee is a well-managed company whose name is recognized in the market for quality and service. As a result, he said, the Dee name will remain as well.

Meltzer said some of its

(Continued on page 97)

Waxman opens door to security market with U.S. Lock purchase

By an NHCN staff editor

BEDFORD HEIGHTS, Ohio — With the acquisition of U.S. Lock Corp., Waxman Industries enters the field of home security where Waxman senior management sees future growth.

U.S. Lock, with estimated 1987 sales of $20 million, is a dominant wholesaler to locksmiths on the East Coast, according to industry executives.

Waxman acquired the company July 1 for an undisclosed amount of cash.

In addition, the Edgewood, N.Y.-based U.S. Lock supplies marketing, advertising and merchandising support to more than 1,000 franchise U.S. Lock Security Center retail stores nationwide carrying 3,200 private-label and 7,700 other products from major security hardware manufacturers.

Mel Waxman, chairman of Waxman Industries, said the U.S. lock line didn't believe the line would become part of the firm's plumbing, electrical and other hardware offerings in the home center field.

"We want to be in the home security field," Waxman said, noting U.S. Lock was uniquely positioned to grow through Waxman's national distribution. He said U.S. Lock would expand distribution to small independent locksmiths around the country.

Peter Jung, vp of sales and marketing for Master Lock Co., Milwaukee, a large supplier of the upscale locks to U.S. Lock, looks forward to expansion plans of Waxman.

At the same time as the U.S. Lock acquisition was made public, Waxman announced it had negotiated a $100 million line of credit with a number of banks led by National City Bank in Cleveland. Waxman said the funding was available for additional acquisitions and working capital.

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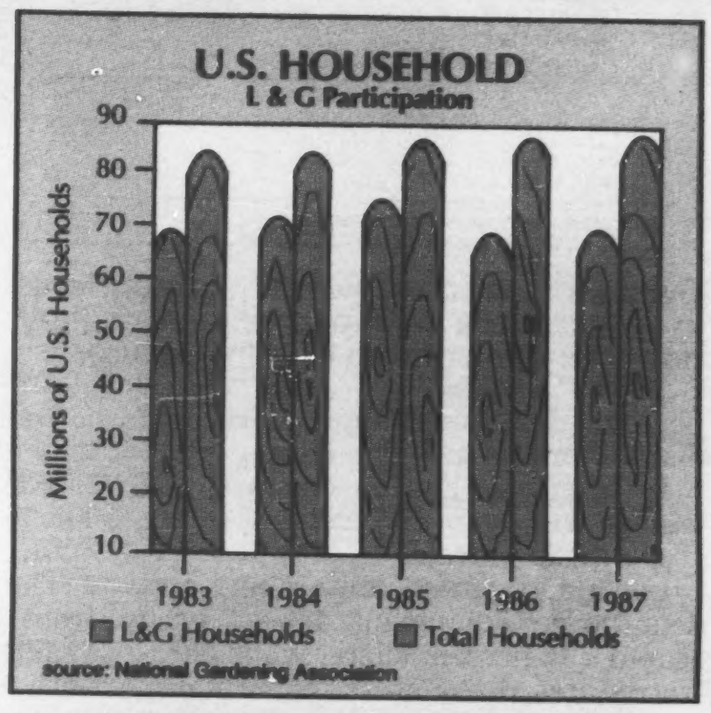


Home centers continue to be seen as secondary stores for lawn and garden products, lagging behind specialty stores and even mass merchants *(top chart)*. These home centers had less success drumming up new customers in a market whose retail sales jumped 23 percent, even though the total number of U.S. households buying L&G products was flat *(middle charts)*. A higher average annual expenditure fueled most of this sales growth. L&G sales in the Rocky Mountain region jumped 85 percent in 1987, the biggest gain by any area of the country *(bottom charts)*.

Home centers losing out on L&G sales

By an NHCN staff editor

NATIONAL REPORT — Home centers continue to be seen as secondary outlets for lawn and garden products among all retail stores selling these goods. However, consumers who shop home centers for lawn and garden merchandise are generally among the biggest year-round spenders on these products.

Nevertheless, despite considerable expansion by home centers of their garden departments, these store types lag behind other outlets—specialty stores, mass merchants, and hardware stores. It appears, though, that home centers could be in a strong position to take some business from these competitors, as gardening officials insist that lawn and garden products need to be marketed more as part of a home remodeling project.

These and other findings are culled from the *National Gardening Survey 1987-88*, conducted for the National Gardening Association (NGA) in Burlington, Vt., by The Gallup Organization.

The study, which was released in June, is based on the response to written questionnaires by 2,566 households and personal interviews with 1,500 of those respondents. It is nationally projectable to 89.5 million households in the United States.

The study reports robust retail sales growth in the category. Total lawn and garden volume rose a full 23 percent in 1987 to $17.5 billion. This increase is even more significant given the 18 percent sales jump the industry enjoyed in 1986.

Just as significant was the finding that the average annual household expenditure on lawn and garden products rose 28 percent to $251. This spending rise propelled the overall sales increase, as the number of households that actually made lawn and garden purchases last year stayed flat at 78 million.

Geographically, the NGA study found that households in the Middle Atlantic and Rocky Mountain states were more active than the rest of the country in their shopping for this merchandise. The Rocky Mountain residents increased their total expenditures by a whopping 85 percent; the growth in the Middle Atlantic states, where nearly one in every five lawn and garden dollars is spent, was an impressive

(Continued on page 18)

PROJECT SELL: THE GREAT BACKYARD

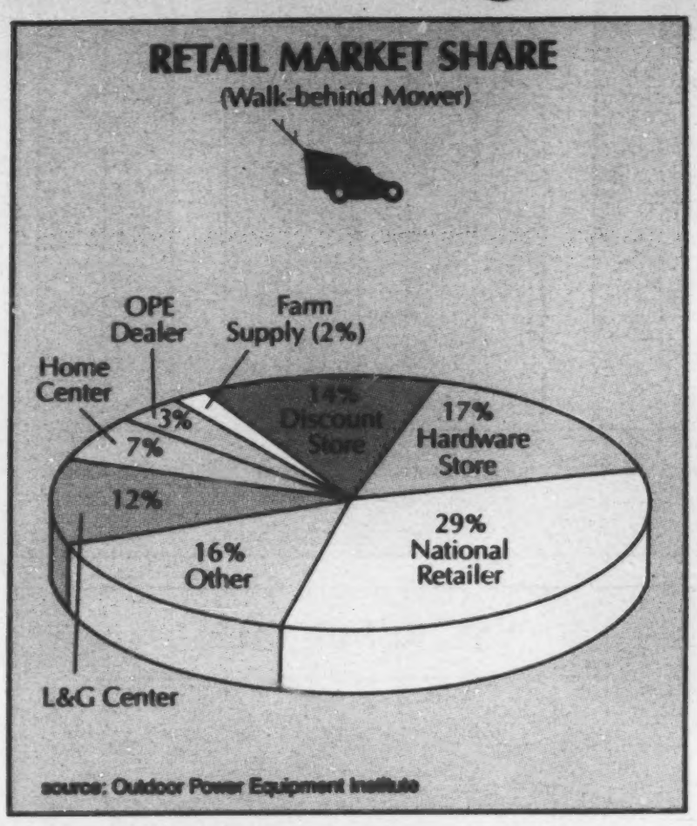
Home centers nabbing only small cut of mower market

By an NHCN staff editor

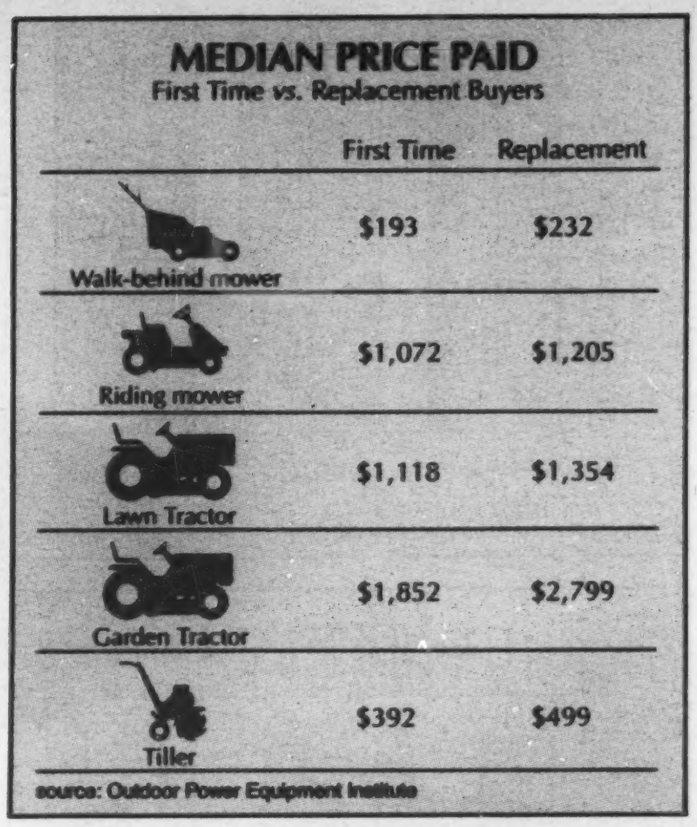
NATIONAL REPORT — Home centers still claim only a small share of the outdoor power equipment market, lagging behind national retailers, discount stores, hardware stores and lawn and garden centers.

As a retailing class, home centers account for 7 percent of walk-behind mower sales, 3 percent of riding mowers and 6 percent of lawn and garden tractors. Among seven types of retailers, home centers proved least popular for riding mowers and garden tractors.

Those facts emerged from the first annual retail sales report of the Outdoor Power Equipment Institute (OPEI), based in Old Town Alexandria, Va. The report, released in June, was based on 275,000 telephone interviews conducted in one year.



The OPEI survey found that home centers are capturing only a minuscule share of walk-behind mower sales.



Owners of outdoor power equipment tend to spend more on replacements as they become familiar with quality features.

The interviewers found that the typical outdoor equipment customer is a man about 40 years old from a household with an income of between $30,000 and $50,000.

The report documented the well-known fact that specialty stores demand higher prices, and dispelled any remaining doubt that men continue to make most of the decisions in consumer purchases of mowers and tillers.

Not surprisingly, the report showed that customers making replacement purchases tend to step up in price, indicating a new-found appreciation of features and durability *(see chart)*.

According to the report, national retailers, including Sears, dominated sales in a number of outdoor power equipment categories *(see chart)*.

Mass merchants scored well with lower priced walk-behinds and specialty stores proved successful with higher priced riders and tractors.

In walk-behind mowers, national retailers proved dominant with a 29 percent market share, followed by hardware stores, 17 percent; discounters, 14 percent, and lawn and garden centers, 12 percent.

Then came home centers, with 7 percent of walk-behind sales, while outdoor power equipment dealers had 3 percent and farm supply stores garnered 2 percent.

Sixteen percent of walk-behinds sold through other retailers.

Looked at another way, the top three types of stores—national retailers, hardware stores and discounters—accounted for 60 percent of all walk-behind sales. The specialty stores, including lawn and garden centers, equipment dealers and farm supply stores, claimed 17 percent.

In riding mowers, however, lawn and garden centers prevailed over the competition, managing a 26 percent market share, the survey indicated.

National retailers scored 16 percent, hardware stores and outdoor power equipment dealers netted 10 percent each, farm supply stores and discounters claimed 5 percent each.

In lawn and garden tractors, the winner was again the national retailers, with 28 percent.

Lawn and garden centers and outdoor power equipment dealers each scored a 14 percent share, while hardware stores, discounters and farm supply stores each nailed down 7 percent market shares.

Home centers finished last in lawn and garden tractor sales with 6 percent. "Other" accounted for 17 percent.

OPEI noted that specialty stores, including outdoor power equipment dealers and lawn and garden centers, together captured 64 percent of all sales of riding mowers and lawn and garden tractors. In walk-behinds, those stores sold 15 percent.

With garden tiller sales, national retailers dominated again, with 28 percent of the market.

Hardware stores had 13 percent of tiller sales; lawn and garden centers, 12 percent; outdoor power equipment dealers, 8 percent; farm supply stores, 6 percent, home centers, 5 percent and discount stores, 3 percent.

Twenty-five percent of the survey respondents bought tillers from other types of retailers.

Prices proved dramatically higher at specialty stores, reflecting the specialists' higher costs for full service and illustrating the specialists' tendency toward providing premium products.

For the price survey, OPEI divided retailers into four categories: national retailers, hardware stores, lawn and garden centers and outdoor power equipment dealers.

Home centers, discounters and farm supply stores were not mentioned in results from the price survey.

Walk-behind prices ranged from a an average of $268 at national retailers to $352 at lawn and garden centers. The average for all stores came out to $284.

The range for riding mowers went from $976 at national retailers to $1,591 at lawn and garden centers, with a $1,299 average for all stores.

Lawn tractors averaged $1,214 at hardware stores, the lowest priced type of store in the category, and averaged $2,475 at the highest priced outlets, the outdoor power equipment dealers. Average for all stores was $1,654.

Garden tractors averaged $1,983 at national retailers and $3,884 at outdoor power equipment dealers. For all stores, the average came to $2,999.

Tillers were least expensive at the national retailers, with an average price there of $440, compared to $672 at lawn and garden centers, and an all-store average of $534.

Study finds home centers missing lucrative L&G sales

(Continued from page 17)

38 percent. The non-Deep South and West Central states saw retail sales increase 23 percent.

Demographically, suburban households with affluent married couples and children accounted for the highest retail sales dedicated to lawn and garden items. But the growth areas for dealers could be those households headed by single people, whose lawn and garden expenditures rose 49 percent last year.

The greatest amount of business was generated by products falling under the general description of "lawn care," which includes power equipment, fertilizers, irrigation, sod and related items. About 53 million households spent $5.4 billion on these products last year, and the average annual household expenditure in this category was $113.

This was followed by landscaping ($2.9 billion) and flower gardening ($1.8 billion).

Attracting fewer customers

Home centers appear to be missing much of this business, though, according to the study's findings. Where more than 31 million households shopped a garden center or nursery last year for lawn and garden fare, only 11 million went to a home center.

In fact, home centers trailed hardware stores (where 21 million households shopped), mass merchants and discounters (15 million), even seed and feed stores (13 million) in attracting lawn and garden shoppers.

The advantage that home centers could previously claim—that the people shopping their stores were the biggest spenders on lawn and garden products in all retail outlets—didn't even hold true in 1987. Indeed, the study showed that home center shoppers actually *reduced* their overall expenditures on lawn and garden products around 5 percent to an average $298 per household.

On the other hand, garden centers saw their typical shopper spending $302 on lawn and garden products in all retail outlets annually, an increase of 11 percent over 1986 estimates (*see charts*).

Home centers, when compared to other retail stores by using a standardized index, appear to be losing out with some of the key demographic groups most likely to be making lawn and garden purchases. Home centers do well in the Rocky Mountain and West Central states and with married families, but quite poorly with suburban and upper-income households.

And home centers' lure to the most active home owner in the 30 to 49 year age group is just average, according to the study.

"One of the things we found this year is that was not a lot of cross shopping by consumers among different store types," said Bruce Butterfield, NGA's Research Director.

He noted that while home centers continue to "occupy a unique niche between the service-oriented garden centers and the stores offering cheap prices," Butterfield believed that home centers have been their own worst enemy by "competing head to head" with both the price houses and the specialty outlets instead of developing their own identities in the category.

"You're dealing with two separate businesses here," he explained. "The mass merchants, for instance, use plants as a come-on to draw traffic; the hardware stores are also price sensitive.

"But what we've found is that, contrary to what most people think, lawn and garden products are *not* price sensitive, and by giving plants and hardware away, home centers—as well as other retailers—are biting off their noses to spite their faces."

Project marketing advantage

That having been said, it appears that home centers could cultivate a strong lawn and garden image with more consumers by promoting the products in a project context.

Recently, the Garden Council, a national organization representing the interests of growers, suggested to its members that they could capture far more business if the dealers selling their products marketed them as a home remodeling job.

It quoted estimates by the National Association of the Remodeling Industry that this year's total remodeling market would exceed $65 billion. "From our point of view, we want our piece of that for landscaping," said Gordon S. Dunlop, the Garden Council's executive director.

He was mainly talking about what garden centers could do in this capacity. But his comments are pertinent for home centers, which have been marketing projects in a variety of categories and could capitalize on the same consumer interest in lawn and garden.

"It appeals to another facet of home improvement," said Tama Anastasi, garden manager for the nine-unit Western Lumber in San Diego, which has installed garden centers in two of its stores and hopes to expand that to six units by year's end.

The departments have succeeded in cross merchandising a variety of garden-related items and, said Anastasi, "We set up reproductions of what you'd do in your yard if you wanted to create a specific atmosphere."

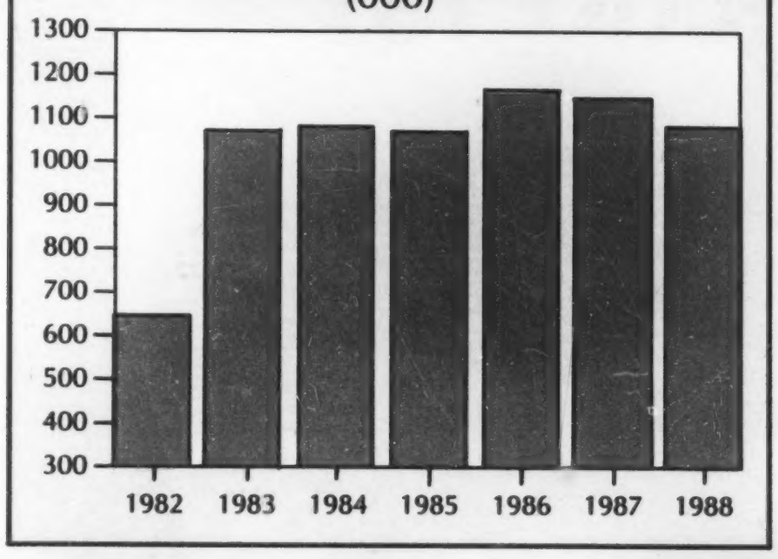
Even the larger chains have sought to make this project sell connection in their stores for consumers. Scotty's currently has full blown garden centers in 21 of its stores, up from seven in 1987. The addition of nurseries "helps the garden department as a whole," noted buyer Jim Chambless. "It ties it all together."

Business Watch

Section 4

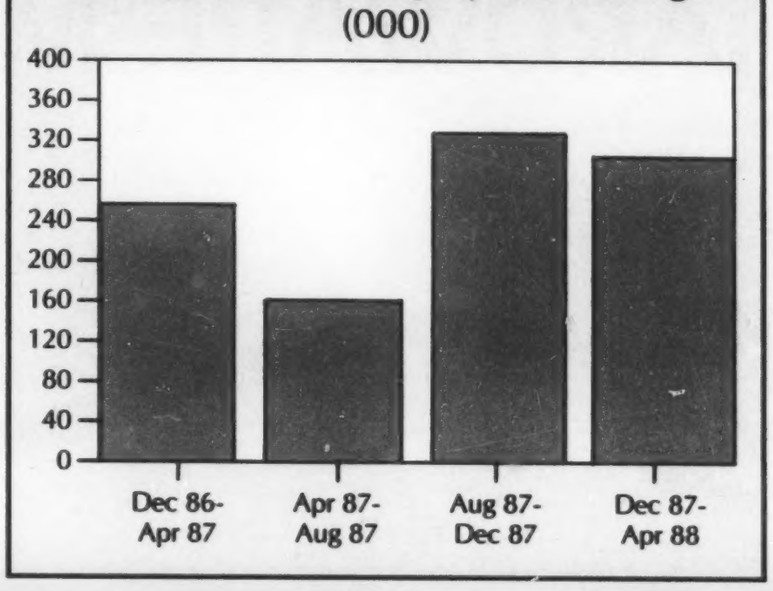
Past strength in starts . . .

Single-Unit Housing Starts
(000)



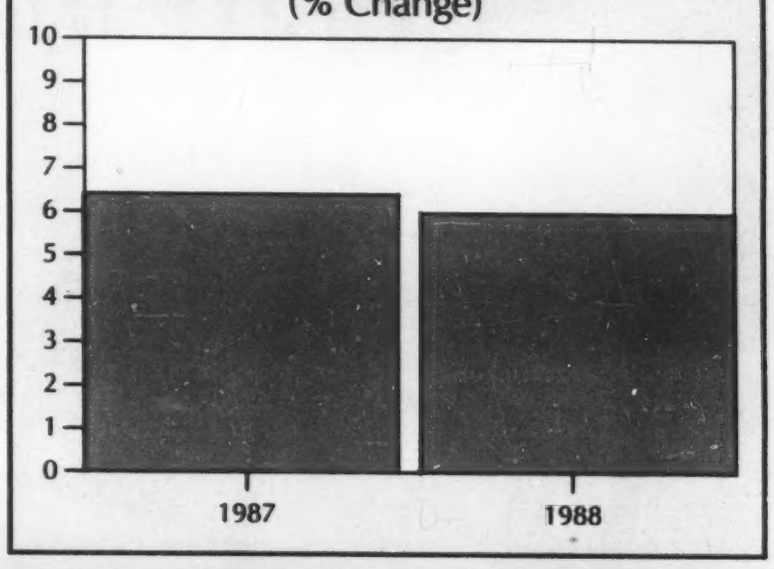
. . . and current income gains . . .

Average Monthly Employment Change
(000)



. . . will increase additions and alteration spending . . .

Additions and Alterations
(% Change)



Addition, alteration spending to climb 6.1 percent in 1988

By Richard E. Mount
Special to NHCN

Additions and alterations spending, a $44 billion market, is expected to rise 6.1 percent this year, down slightly from the 7.5 percent gain in 1987. This market will help to increase retail building material sales 5.6 percent in 1988, 2.4 percent after removing anticipated price increases.

Perhaps the strongest leading indicator of current additions and alterations spending is single-unit housing starts two to four years earlier. After moving into a new home, real and psychological space constraints develop. In the current housing cycle, single-unit housing starts have remained near 1.1 million units annually during 1983 to 1988, and almost reached 1.2 million in 1986.

Richard E. Mount

Real disposable income, or what remains of income after taxes and inflation, is on the rise again. Last year it increased only 1.2 percent while GNP gained 2.9 percent. This year real disposable income could gain 3 percent at a time when GNP rises 3.2 percent.

Incomes should do well in 1988 as the lower dollar boosts employment in higher paid manufacturing jobs. With higher real disposable income, consumers will have the financial strength to begin major changes to their homes.

Employment gains remain strong in spite of the recent uptick in unemployment rates. In the last four months, the average monthly gain in employment has been 306,000 versus 254,000 in 1987.

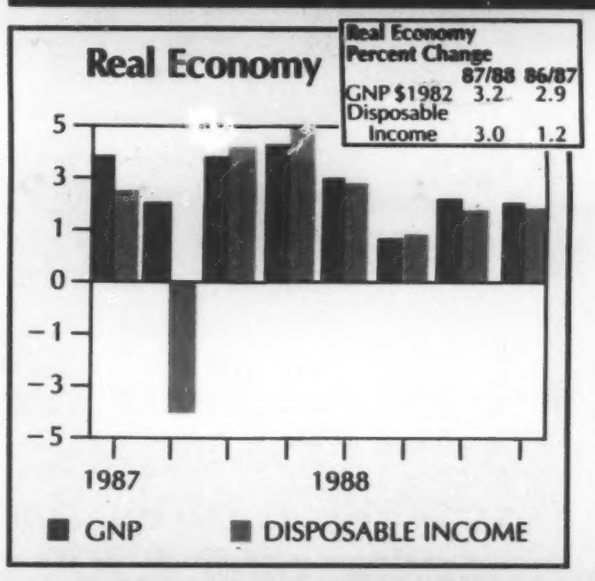
While interest rates are again on the rise, this year's increase will not be significant. For additions and alterations, this is an important consideration because many homeowners finance big ticket home improvements with loans. With a healthy economy the most likely outlook for this year, income gains will offset higher interest rates and building costs.

Richard Mount is president and chief economist with Mount Economic Consulting.

General Business Conditions

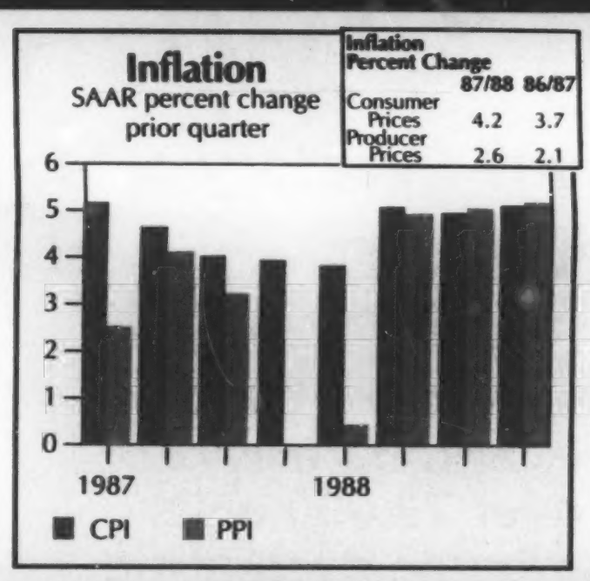
Real Economy

Real Economy Percent Change	87/88	86/87
GNP $1982	3.2	2.9
Disposable Income	3.0	1.2



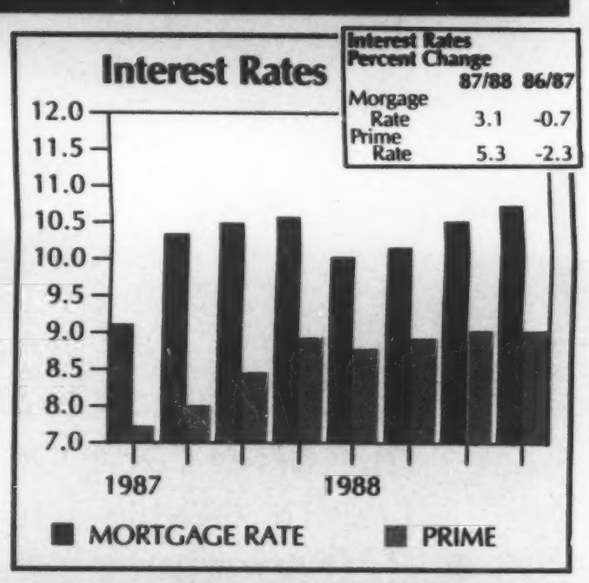
Inflation
SAAR percent change prior quarter

Inflation Percent Change	87/88	86/87
Consumer Prices	4.2	3.7
Producer Prices	2.6	2.1



Interest Rates

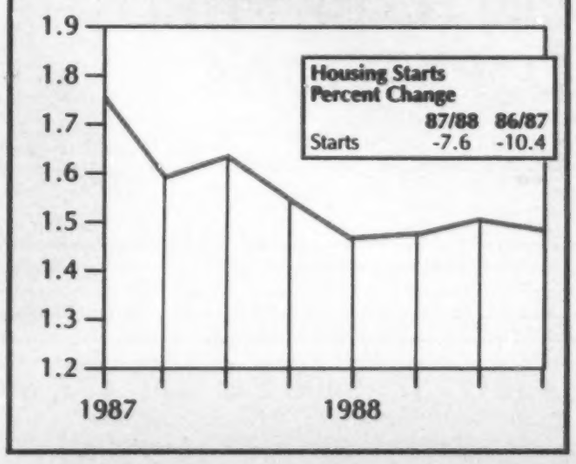
Interest Rates Percent Change	87/88	86/87
Morgage Rate	3.1	-0.7
Prime Rate	5.3	-2.3



Housing

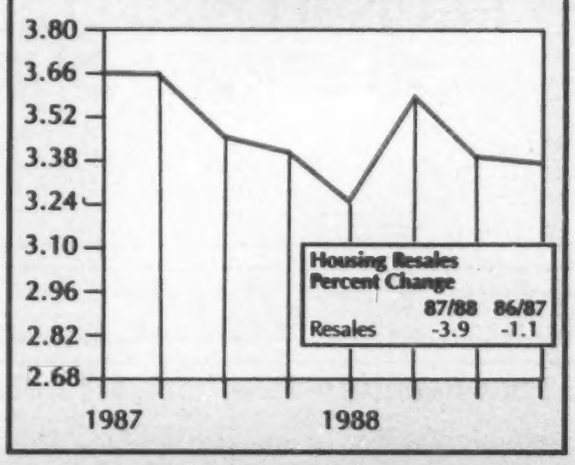
Housing Starts
Millions—SAAR

Housing Starts Percent Change	87/88	86/87
Starts	-7.6	-10.4



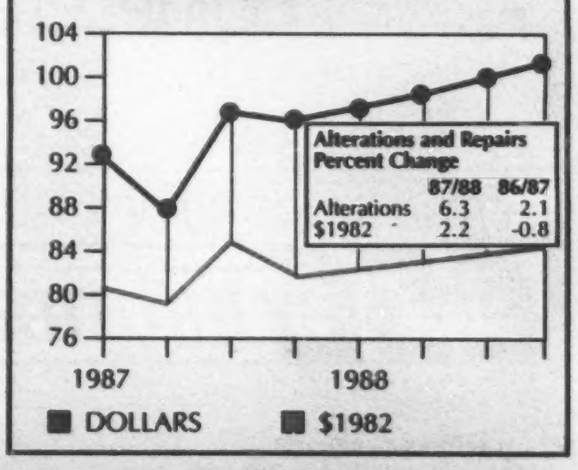
Resales
Millions—SAAR

Housing Resales Percent Change	87/88	86/87
Resales	-3.9	-1.1



Alterations and Repairs
$Billions

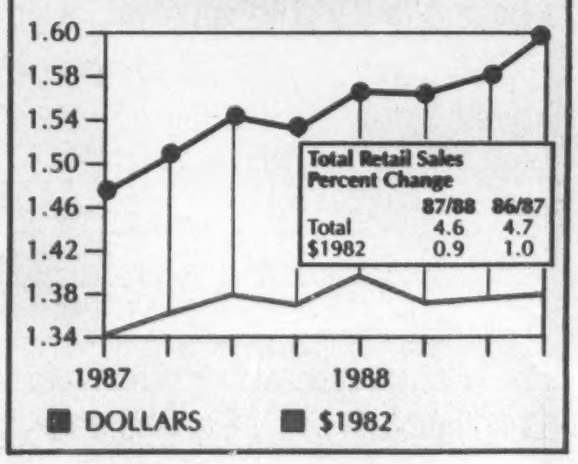
Alterations and Repairs Percent Change	87/88	86/87
Alterations	6.3	2.1
$1982	2.2	-0.8



Retail Trade Activity

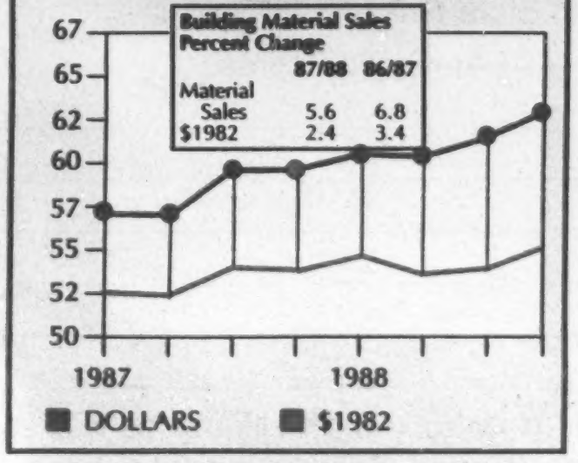
Total Retail Sales
$Trillions

Total Retail Sales Percent Change	87/88	86/87
Total	4.6	4.7
$1982	0.9	1.0



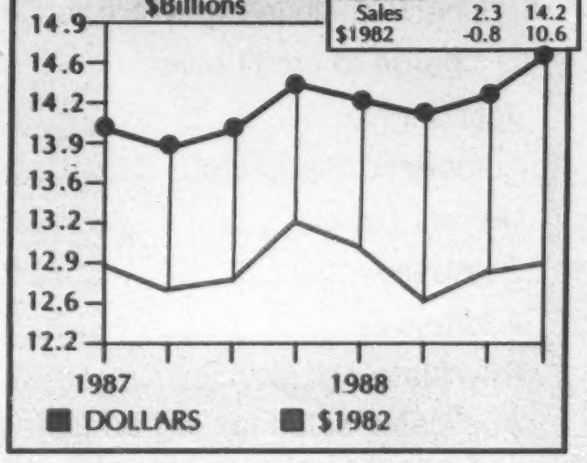
Building Material Sales
$Billions

Building Material Sales Percent Change	87/88	86/87
Material Sales	5.6	6.8
$1982	2.4	3.4



Hardware Store Sales
$Billions

Hardware Store Sales Percent Change	87/88	86/87
Hardware Sales	2.3	14.2
$1982	-0.8	10.6



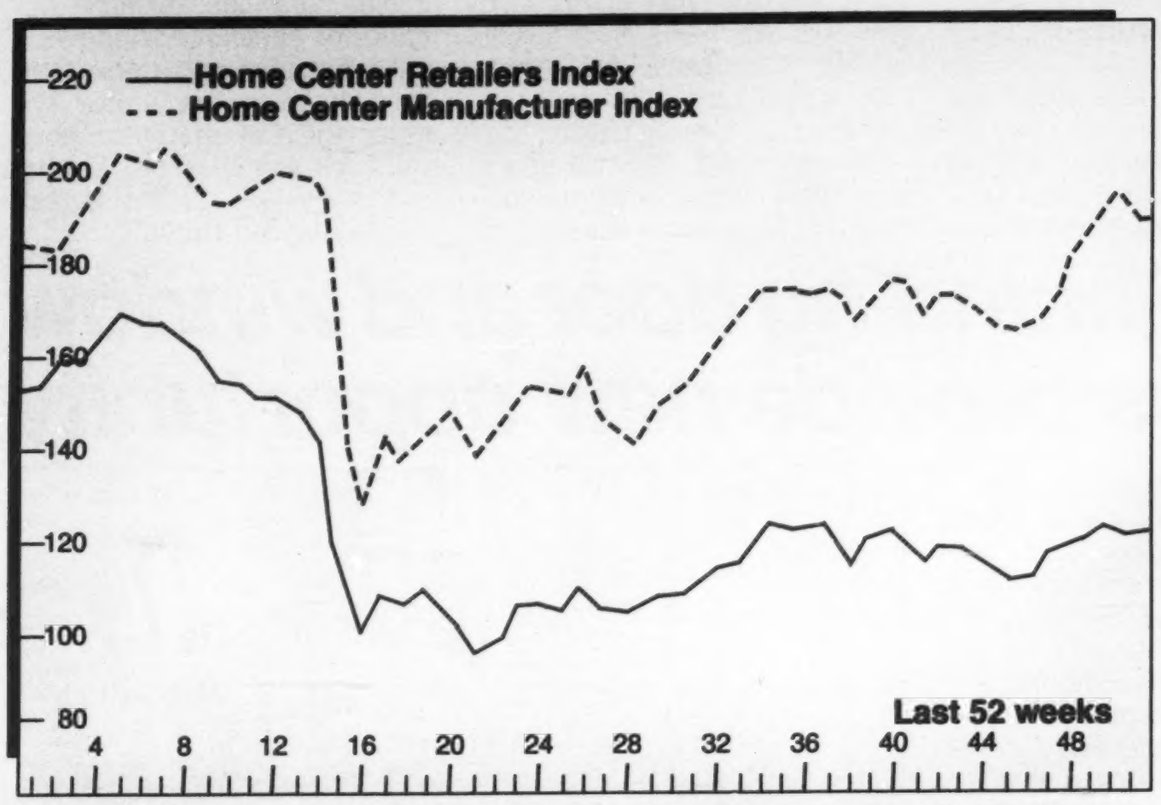
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 8, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Industry stocks slide downward

The gain in home improvement stocks of the past month was cut short, with most showing a loss for the reporting period ended July 8, 1988. Of the 55 stocks tracked for *NHCN* by Media General, more than half declined during this time, with only 21 gaining and three remaining flat.

Among retailers, General Building Products sank 4.3 percent to close at $5.50 per share after buying New Jersey-based Dee Wood. Zayre Corp. showed the biggest loss among retailers, down 9.6 percent to $18.88, its second straight loss for the two-week reporting periods.

In fact, most retailers declined during the period. But there were still winners, with Wolohan Lumber posting an 11.3 percent gain to $16 and Standard Brands gaining 9.3 percent to $14.75. Payless Cashways posted a gain of 6.8 percent on relatively high volume after news that management would attempt to take the company private at $27 per share to foil corporate raider Asher Edelman. It closed at $27.38.

All the wholesalers moved downward, with Moore Handley losing 15.8 percent to close at $4.

Manufacturers had a more mixed showing. Most showed gains, and three were flat. Waxman Industries boosted its price 16.7 percent, its second straight gain. Louisiana-Pacific also posted a healthy increase of 10.3 percent to close at $36.13.

Most losses among manufacturers were relatively modest, with Nortek showing the biggest decline, down 6.2 percent to close at $7.63.

HOME CENTER MARKET SUMMARY

National Home Center News

Company and Market	Stock Market: Price: 2-Weeks Ended 7-08-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.50	- .25	- 4.3	6.00	5.50	11.75	4.00	202	.50	.69	- 27.5	16.2	.00	.0	NEW	6 mos.	05-88	19.7	16.6	.3	- 57.1	.08	- 60.0	34.6	16.1	.2	- 80.0	.05	- 82.8
Grossman's Inc ..... M	6.63	- .38	- 5.4	7.13	6.63	10.00	4.13	3,197	1.22	1.53	- 20.3	13.3	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	19.25	- .75	- 3.8	19.88	19.25	26.50	14.25	7,836	5.44	2.75	97.8	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	19.00	- .75	- 3.8	20.00	19.00	26.75	15.50	801	.49	.19	157.9	16.2	.06	.3	.....	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot ..... N	27.25	- 1.75	- 6.0	29.25	26.75	29.75	12.13	18,140	3.69	1.57	135.0	22.3	.12	.4	.....	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc ..... N	45.00	1.50	3.4	45.75	43.38	54.00	29.50	8,780	2.34	1.14	105.3	12.2	1.72	3.8	NEW	3 mos.	05-88	778.1	- .4	30.7	15.8	.80	29.0	778.1	- .4	30.7	15.8	.80	29.0
K mart Cp ..... N	34.50	- 1.00	- 2.8	35.88	34.00	48.38	21.63	33,786	1.68	.93	80.6	10.1	1.32	3.8	.....	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos ..... N	21.38	.13	.6	21.75	21.00	29.38	15.25	5,143	1.30	.86	51.2	13.4	.44	2.1	.....	3 mos.	04-88	590.6	3.8	15.1	17.1	.39	18.2	590.6	3.8	15.1	17.1	.39	18.2
Natl Hardgoods ..... M	4.75	- .38	- 7.3	5.25	4.75	9.25	3.75	137	1.01	.46	119.6	8.8	.00	.0	.....	3 mos.	04-88	9.8	11.4	- .1	NC	- .06	- 100.0	9.8	11.4	- .1	NC	- .06	- 100.0
Natl Lumber ..... M	3.00	- .13	- 4.0	3.25	3.00	5.75	2.50	195	.35	.21	66.7	NE	.00	.0	.....	*	04-88	NC	NC	NC	NC	NC	NC	38.1	NC	.1	NC	.01	NC
Payless Cash ..... N	27.38	1.75	6.8	27.50	25.13	27.50	9.63	71,912	20.75	8.12	155.5	34.7	.16	.6	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc ..... N	13.13	- .50	- 3.7	13.88	13.13	15.88	10.00	798	.55	.27	103.7	16.6	.52	4.0	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	36.38	- .88	- 2.3	37.38	35.75	59.50	26.00	46,706	1.23	1.55	- 20.6	8.9	2.00	5.5	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt ..... N	14.75	1.25	9.3	15.13	13.25	31.88	10.63	3,099	5.89	2.36	149.6	NE	.00	.0	.....	3 mos.	04-88	73.8	- 6.5	1.1	- 74.4	.13	- 75.0	73.8	- 6.5	1.1	- 74.4	.13	- 75.0
Strober Organiz ..... M	10.50	- .50	- 4.5	11.50	10.50	13.00	6.25	187	.31	.33	- 6.1	13.8	.00	.0	.....	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos ..... N	10.25	.38	3.8	10.88	9.75	21.88	7.25	25,222	5.27	1.54	242.2	NE	.00	.0	.....	3 mos.	04-88	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0
Wolohan Lumber ..... M	16.00	1.63	11.3	16.25	14.38	18.75	8.75	1,841	3.15	1.28	146.1	10.7	.24	1.5	.....	3 mos.	03-88	42.3	2.9	.8	- 20.0	.14	- 22.2	42.3	2.9	.8	- 20.0	.14	- 22.2
Zayre Corp ..... N	18.88	- 2.00	- 9.6	20.88	18.63	37.00	13.50	24,531	4.33	3.79	14.2	10.4	.40	2.1	.....	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply ..... N	17.75	- .38	- 2.1	18.00	17.63	20.19	13.19	178	.36	.50	- 28.0	9.4	.32	1.8	.....	3 mos.	04-88	116.5	21.6	2.1	5.0	.43	10.3	116.5	21.6	2.1	5.0	.43	10.3
Moore Handley ..... M	4.00	- .75	- 15.8	4.00	4.00	9.00	3.75	293	1.20	.28	328.6	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	10.50	- .63	- 5.6	11.25	10.50	11.50	5.75	266	.70	3.66	- 80.9	24.4	.28	2.7	.....	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods ..... M	10.75	.00	.0	11.50	10.75	11.81	6.31	1,163	4.48	1.04	330.8	15.4	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.17	54.5	17.5	90.2	.4	33.3	.17	54.5
Am Standard ..... N	77.50	.13	.2	78.25	77.38	78.25	30.50	193	.06	.30	- 80.0	18.5	1.80	2.3	.....	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark ..... M	8.13	.00	.0	8.50	8.00	14.09	5.91	433	.57	.20	185.0	11.6	.00a	.0	.....	fiscal	04-88	33.5	14.3	.9	- 40.0	.12	- 40.0	129.5	11.8	5.3	- 22.1	.70	- 23.9
Armstrng Wrld ..... N	37.50	- .88	- 2.3	38.75	36.38	47.38	22.50	19,022	4.11	1.65	149.1	11.2	1.00	2.7	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker ..... N	24.25	.75	3.2	24.38	22.75	26.50	13.00	26,664	4.56	2.18	109.2	18.7	.40	1.6	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	45.50	- 1.00	- 2.2	47.38	44.75	51.16	28.81	7,256	1.61	1.27	26.8	10.4	1.20	2.6	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl ..... N	35.50	- 1.38	- 3.7	37.88	35.50	44.63	21.75	22,932	2.41	1.58	52.5	7.9	1.00	2.8	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl ..... M	4.63	- .13	- 2.6	4.88	4.63	16.25	4.50	313	.62	1.17	- 47.0	NE	.00	.0	.....	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus ..... N	56.25	- 2.50	- 4.3	58.88	56.25	74.50	39.00	8,054	1.59	.97	63.9	15.8	1.80	3.2	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	38.13	1.13	3.0	41.13	35.50	42.00	21.00	2,605	6.54	1.46	347.9	14.9	1.40	3.7	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Ethart Corp ..... N	22.00	.00	.0	22.50	21.38	26.63	15.50	8,718	1.39	.67	107.5	12.4	.80	3.6	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	41.50	- .75	- 1.8	42.88	41.00	48.38	22.75	15,791	1.49	1.04	43.3	9.1	1.20	2.9	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Imtico Corp ..... N	20.13	- .50	- 2.4	20.75	20.00	28.13	14.00	1,738	.83	.84	- 1.2	NE	1.00	5.0	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	36.13	3.38	10.3	37.50	32.00	39.75	21.50	19,342	5.05	1.41	258.2	8.9	.92	2.5	.....	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel ..... M	17.13	.25	1.5	17.13	16.75	23.50	12.00	4,615	.47	.49	- 4.1	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	2.00	- .13	- 5.9	2.13	1.75	4.50	1.75	5,486	2.29	1.26	81.7	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	28.75	- .50	- 1.7	29.75	28.13	39.25	18.75	18,666	1.41	.96	46.9	15.7	.48	1.7	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	5.75	- .25	- 4.2	6.00	5.75	12.50	5.50	44	.18	.45	- 60.0	NE	.01	.2	.....	3 mos.	03-88	55.4	- .2	- .4	- 100.0	- .18	- 100.0	55.4	- .2	- .4	- 100.0	- .18	- 100.0
Newell Co ..... N	44.00	1.00	2.3	44.25	42.00	44.25	21.13	2,094	1.82	.90	102.2	15.3	1.00	2.3	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	7.63	- .50	- 6.2	8.50	7.63	14.63	5.00	2,331	1.52	1.16	31.0	NE	.10	1.3	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn ..... N	21.88	1.25	6.1	22.38	20.38	27.00	9.00	9,845	2.46	1.28	92.2	4.1	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem ..... A	15.13	.63	4.3	15.63	14.25	17.75	9.00	2,999	2.68	.75	257.3	22.6	.12	.8	.....	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot ..... N	19.75	1.25	6.8	19.88	18.63	27.25	9.75	2,630	2.20	1.04	111.5	8.1	.50	2.5	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp ..... N	30.88	- .13	- .4	31.50	29.75	39.25	21.00	4,723	1.77	.61	190.2	8.9	.92	3.0	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds ..... N	44.88	- 1.25	- 2.7	46.88	44.00	51.00	27.50	17,691	1.48	.95	55.8	12.7	1.20	2.7	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Rep Gypsum ..... N	5.75	.38	7.0	5.75	5.38	8.75	4.63	951	.94	.28	235.7	27.4	.36	6.3	.....	9 mos.	03-88	11.9	- 5.6	.1	- 80.0	.01	- 83.3	39.3	- 9.0	1.3	- 61.8	.13	- 60.6
Sherwin-Wms ..... N	27.25	.38	1.4	27.88	26.13	36.13	20.13	6,548	1.50	.87	72.4	12.6	.64	2.3	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	28.00	- .75	- 2.6	29.88	27.50	36.63	21.25	3,580	.84	.56	50.0	13.5	.88	3.1	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	23.38	.50	2.2	24.00	22.75	24.50	13.81	1,854	1.77	.66	168.2	13.3	.68b	2.9	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind ..... N	31.50	.50	1.6	31.63	30.88	44.00	22.50	7,702	3.40	1.70	100.0	15.0	.12	.4	.....	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp ..... N	36.88	- .88	- 2.3	38.00	36.50	47.63	28.00	14,510	1.97	1.04	89.4	11.6	1.24	3.4	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp ..... N	46.88	1.00	2.1	49.00	47.63	55.88	23.50	70,908	13.73	6.13	124.0	15.9	1.12	2.3	.....	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind ..... M	12.25	1.75	16.7	12.25	10.34	12.25	4.84	10,432	11.37	2.88	294.8	19.4	.09	.7	.....	9 mos.	03-88	38.6	24.5	1.9	111.1	.20	100.0	111.5	31.6	4.7	88.0	.50	85.2
Weyerhaeuser ..... N	28.25	- 1.50	- 5.4	27.88	28.25	38.14	12.69	31,857	1.03	.73	41.1	13.3	1.20	4.6	.....	3 mos.	03-88	1855.5	14.7	114.2	12.1	.36	- 28.0	1855.5	14.7	114.2	12.1	.36	- 28.0

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

"Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Williams Brothers puts retail lumber division on block

(Continued from page 1)

The decision to sell the retail operations should not be seen as a sign that Blue Circle was unhappy with the lumber division's performance, Bourdeaux stressed.

He said the division is well run and is a money maker, but it just did not conform to Blue Circle's long-range strategic plans, he added.

Williams Brothers' extensive network of ready-mix concrete plants and its masonry divisions will be retained, Bourdeaux said.

He said although Blue Circle had invested heavily in Williams Brothers and was eager to see it expand, "the lumber business is a different business and just didn't fit the strategy."

Blue Circle bought the once family-owned Williams Brothers in December 1985 for an undisclosed sum which some Atlanta business journals estimated to be between $80 and $90 million.

At the time of the acquisition, Williams Brothers was a miniconglomerate whose principal income was derived from concrete and masonry products.

It operated 27 different ready-mix concrete plants which had a volume in 1985 of $170 million and was said to be the largest cement producer in the Southeast.

The retail lumber business hit sales of $60 million in 1985. Last year, Williams Brothers' volume was $80 million and was the 51st largest company in the industry on *NHCN's* top 180 companies. About 70 percent of the company's sales are from contractors and builders.

Only retail operation

From the outset, Bourdeaux said Blue Circle was more attracted to Williams Brothers' concrete operations as that division would complement the parent's own objectives by providing an immediate inroad to a new customer base. Although Blue Circle had no experience in retailing, Bourdeaux said the customer base for both lumber and concrete was the same and therefore, the lumber division was a "good fit" within the multinational conglomerate.

But Bourdeaux now says Blue Circle operates facilities worldwide, but Atlanta was the only location where the company was involved in retailing.

The decision to sell the lumber division comes after Williams Brothers had recently been shaken by two setbacks: the resignation of its president, Tim Christian, who left in early June, and the layoff of 110 employees throughout the state.

Bourdeaux insisted that neither event was related to the company's move to sell the retail division.

In the case of the Christian resignation, Bourdeaux characterized it as a basic difference of opinion in management direction between himself and Christian.

As far as the layoffs, Bourdeaux described them as a "routine business" move that reflected the downturn in Atlanta's construction activity.

Bourdeaux said Atlanta's housing construction is off 19 percent so far this year and office vacancy rates are up 20 percent. Both developments signal less demand for the company's products.

"This is a cyclical business and in the winter time you lay people off," he said.

Despite the intention to sell the retail lumber division, Bourdeaux said the chain is well organized and run by good executives. He insisted that the company is making money, in spite of Atlanta's downward spiral, but as far as Blue Circle's business is concerned, the lumber division has to be jettisoned.

"These things come and go," Bourdeaux said. "It's part of doing business."

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Vol. 14, No. 15 July 25, 1988

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Conventions could create business

(Continued from page 2)

tion will go to renting and erecting the scaffolding and platform, according to John J. Fretwell Jr., sales manager with the Bernard Lumber Co. of New Orleans.

Sales of lumber and other materials will total about $50,000 and that will be scattered among several retailers, making the convention's impact on local sales difficult to measure, Fretwell said.

"New Orleans is a tourist town. It's hard to tell when one thing affects you and another doesn't," said H.A. Carruth, president of the Carruth Brothers Lumber Co., which is located about three miles from the site of August's convention. There were recently 30,000 shriners in New Orleans and a large gathering of teachers, so the city is always prepared for events such as this, he noted.

"It doesn't require any special preparation," Carruth added. "But something as large as the Republican convention is bound to help business some."

In Atlanta, the major broadcasting networks will need electrical equipment and extension cords, said Howard Schulman, president of Dux Mixture Hardware and Supply Co., which is located about 1½ miles from the Omni.

Paint should also move faster than usual, he said.

Dux did not order more materials in anticipation of the convention, though.

Lowe's scouts for new locations

(Continued from page 3)

The new method will save about $5 per square foot per store, according to Robert W. Ham, director of planning and design. Based on costs of the building from the site grade up, Ham estimates that prefabricated metal buildings cost $25 to $30 per square foot but the new method will cost between $19 to $20.

It will also increase sales space available, because space was formerly lost, with 18 to 20 inches taken up between the dry wall and the outside, while a conventional wall takes up only 12 inches.

"We hope it will speed the erection, [because] in typical metal buildings one builds an exterior envelope then an interior building, a space within a space," said Ham. " With a conventional building you put up a hard wall and the interior is already there."

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National
Home Center News

Vol. 14, No. 16 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 8, 1988

West Lumber Co. is contemplating the sale of stock in the the company in part to raise capital for the expansion of its 'Super Store' concept. Pictured above is West's super store in Athens, Ga. NHCN photo

West ponders stock offering for expansion

By Milford Prewitt

ATLANTA — West Lumber Co. is looking to a private stock placement and the sale of some company assets to fuel an aggressive expansion plan and to retrofit some existing stores.

G. Vincent West, president of the 67-unit chain, called the offering "contemplated" and said there are no commitments to any potential buyers.

The 96-year-old company, whose stores operate under the name West Building Materials, has retained the services of the investment firm Salomon Brothers in connection with the possible sale.

West said the prospect of selling company stock comes at a time when the chain is having one of its best financial performances, led by strong patronage from both consumers—who account for 49 percent of total sales—and contractor/remodelers. He said the company also does a good business with institutional accounts.

West said sales are expected to increase by 15 percent

(Continued on page 213)

Search for new products tops retailers' show agenda

By an NHCN staff editor

NATIONAL REPORT — A hunt for "exciting new products" was the *modus operandi* for home center and hardware store buyers planning to attend the National Hardware Show in Chicago.

A smaller group of retailers said while they are also looking for new products, they will place a somewhat higher priority on solving problems with some of their vendors.

AHMA executive director discusses the global market. Page 7

Most retailers interviewed in late July, however, said that instead of taking a shopping list, they are attending the show receptive and eager for any new product that might excite their customers.

"We're definitely looking for new products to bring on board," said Bill Patterson, general merchandise manager of Neiman-Reed Lumber City, Van Nuys, Calif. "I guess we will be open for anything that excites us." Patterson is one of four buyers from the company who will attend the show.

Burt Stevenson, vp of Hacienda Home Centers, Albuquerque, N.M., part of a two-

(Continued on page 212)

Payless to cut jobs at HQ, eyes regional retraction

By John Caulfield and Gary Ruderman

KANSAS CITY, Mo. — Payless Cashways is expected to lay off between 250 and 300 of its 850-person headquarters and administrative staff, according to sources familiar with the company.

Brenda Nolte, a company spokesperson, declined in late July to comment on any restructuring until the tender offer made by Payless' management to take over the company for $909 million expired Aug. 3.

But as one field manager lamented, "If you don't keep your head in the sand you gotta know there's going to be streamlining at all levels."

"The place is in a state of gloom right now," said another former employee who has been in contact with headquarters people once the news of layoffs began to circulate the company.

At least 60 of the 70 workers employed in the company's construction department, including vp-facility development Michael Didier, reportedly will be let go, according to one knowledgeable source. Lucrative "golden parachute" layoff provisions have been issued to many of Payless' senior officials, but it could not be determined whether any have decided to exercise them because of the leveraged buyout.

Even before the axe fell,

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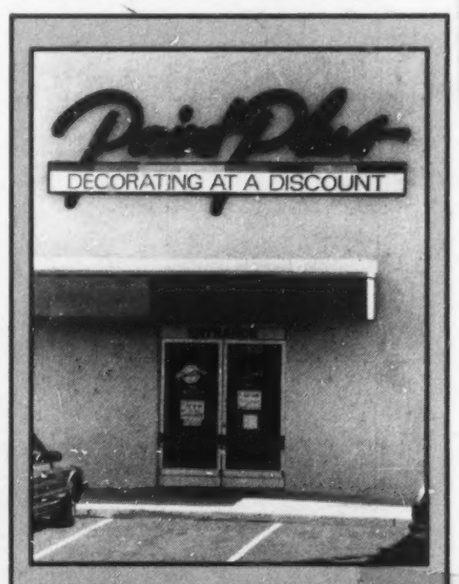


Paint Plus is liquidating its units after less than a year in business. NHCN photo

Paint Plus closing both Calif. units

By Brad Altman

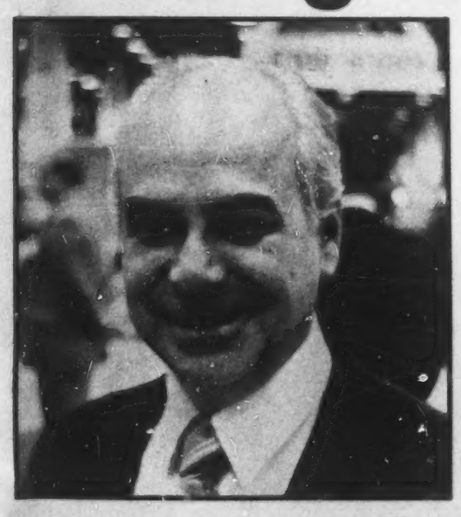
SAN MARCOS, Calif. — Paint Plus, a two-unit specialty home decor and paint chain based here, is liquidating less than a year after opening its first unit in El Cajon.

Launched by a team of home center industry veterans, Paint Plus ran into trouble when venture capitalists refused to provide it with additional capital, company insiders said.

The company, originally called the Paint Factory, changed its name to "Paint Plus—Decorating at a Discount" in February.

(Continued on page 212)

Holding company buys Lampert Lumber



George Poulos, president of Lampert Lumber. NHCN photo

By Tom Bagsarian

ST. PAUL, Minn. — The Lampert Lumber Co., operators of 44 Lampert Building Centers in four upper Midwest states, was acquired July 13 by the newly formed LLC Holding Company.

Officers of the LLC Holding Company include George Poulos, president; Josh Hulce, chairman; F. Joseph Hayes, ceo; and the San Francisco investment and merchant banking firm of Hambrecht & Quist.

Poulos, a 33-year veteran in building materials marketing, joined Lampert in 1984 and became president in 1986. He will continue as president of Lampert and said it is too early to discuss possible changes or expansion, and declined to reveal the purchase price. (When Lampert was on the block, other dealers interested in the company reported it was being offered for $20 million to $25 million. Poulos declined to say what LLC Holding paid or what the terms were.)

"We're optimistic about the area we're in overall," Poulos said. "Lampert Lumber has a well respected business franchise in its geographies," Poulos said in a press release. "With Hayes' retailing experience and my operating store background, Lampert intends to continue and to improve the same high level of service to its customers as the company has done for more than 100 years."

He also did not anticipate any major changes at Lampert. "It is our intention to not disturb a very premier opera-

(Continued on page 213)

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NEWSBREAKS

FIRST LOSS IN PAY 'N PAK'S HISTORY: The Kent, Wash.-based chain lost $269,000 on sales of $127.9 million for the quarter ended May 31. Comparable 1986 income was $4.4 million on $115.3 million in sales.

PLY-GEM SAID TO BE PART OF SEC INVESTIGATION OF *BUSINESSWEEK*: The *Wall Street Journal* reported that the supplier is one of 20 firms whose stocks are being examined for unusual activity prior to being mentioned in *BW's* weekly column "Inside Wall Street."

INDUSTRY UPDATE

Tool King to open 3 Wis. units

DENVER, Colo. — Tool King, the six-unit specialty chain headquartered here, plans to open three stores in metropolitan Milwaukee next month, according to president Don Cohen.

Each former appliance store which Tool King is remodeling contains 5,000 square feet of selling space. One unit has an additional 5,000 square feet which will be used as a combination warehouse and service department.

Cohen said the stores will contain approximately 4,000 stockkeeping units with an emphasis on tools, snow-removal equipment, heaters, barbecue grills and outdoor power equipment.

These are the first stores to open outside Colorado for the 10-year-old company. Private investors are providing the capital. Cohen is also scouting additional Great Lakes-region sites for 1989 expansion.

New Grossman's nixes lumber

BAKERSFIELD, Calif. — Lumber has been eliminated as part of a streamlining of inventory at Grossman's recently renamed "HELP Warehouse" here.

HELP is short for Heating, Electrical, Lighting and Plumbing, which are the only categories this 10-year-old, contractor-oriented unit has stocked since its new format was unveiled this past April.

David T. Mayberry, spokesman for Braintree, Mass.-based Grossman's, said the store is "an experimental unit and we're not interested in making a big deal out of it."

Grossman's HELP Warehouse carries "professional assortments geared to the contractor's needs, stocked in substantial quantities," said an article in the June edition of Grossman's *Gazette*, distributed to wholesale members in southern California.

Besides lumber, the warehouse does not stock household items, nursery plants or concrete materials, which can be found at other Grossman West Coast warehouses.

McNulty starts new venture

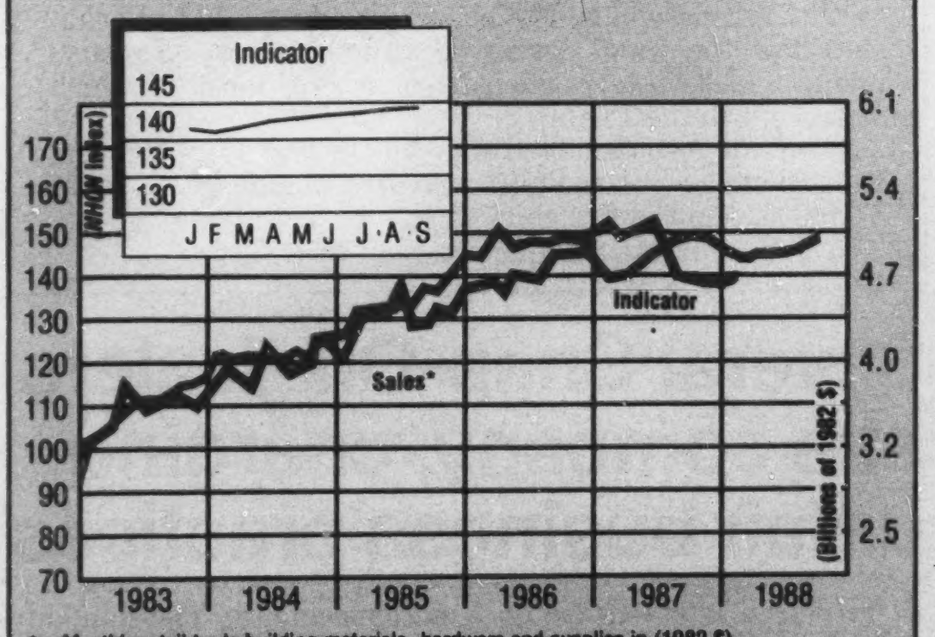
LONG BEACH, Calif. — HomeClub founder Robert J. McNulty is developing a new retail concept called HQ Office Supplies Warehouse, to be headed by former HomeClub senior vp-merchandising Brad Tukey.

Tukey, president of the new venture, resigned from HomeClub July 21. The company named Bill Peña Jr., vp-merchandising, to fill his slot. Peña, 34, joined HomeClub in August 1983.

HQ Office Supplies is headquartered at McNulty's American Business Ventures here. One source said the first unit is slated to open in Orange County by November.

Tukey, 42, joined HomeClub in September 1983. From 1981 to 1983 he was vp at wholesaler Federated Goodkin. From 1969 to 1981 he worked at the now-defunct Handyman chain.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a small gain in building materials sales in the summer due to improvements in resales and incomes. The Business Watch Column (page 185) highlights the outlook for the Pacific region, the fastest growth market in 1988.

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Westlake cuts staff at Texas subsidiary

By an NHCN staff editor

LENEXA, Kan. — The bloodletting continued at the Lone Star franchise of Westlake Hardware with the departure of Daryl Lansdale, chief operating officer of the Southwest division; eight officials there; and the firing of Westlake's chief financial officer Robert Calhoun.

Stung by sagging sales and soaring administrative costs, Lone Star's board chose to cut highly paid personnel and retrench buying and administrative functions at the Westlake headquarters here.

Lansdale was the president of W.R. Grace's central division before joining Westlake Hardware's president Scott Westlake in forming Lone Star, San Antonio, Texas, barely a year ago. His removal was followed by that of Lee Dunning, another Grace alumnus and Lone Star director of operations; Bob Holloway, director of merchandise; and the directors of accounting and advertising.

In total, the San Antonio headquarters of Lone Star's seven-unit Southwest division was cut to three persons from 11.

Remaining at San Antonio were John Thornton, regional buyer; Don Kennon, regional store supervisor; and Cathy Wells, training officer.

The drastic Southwest cuts follow a similar house cleaning

(Continued on page 212)

Creditor group to monitor Eclipse Ch. 11

By an NHCN staff editor

ST. LOUIS — Dallas investor Don Navarro's court challenge to the Chapter 11 bankruptcy filing by Eclipse Industries here has been thrown out of court. But the question of who controls the financially troubled company remains, according to Eclipse attorney Stuart Radloff.

And in a related development, a 14-member unsecured creditors committee was formed on July 13 in federal bankruptcy court to act as a "watchdog" as Eclipse attempts to regain its footing, said Radloff, an attorney with Rosenblum, Goldenhersch, Silverstein and Zafft in St. Louis.

"They never pursued the matter further," Radloff said about Navarro's attorneys' actions regarding the Chapter 11 challenge. The attorneys did not even show up at court, he added.

Efforts by *NHCN* to reach Navarro's bankruptcy counsel, Nicholas Catsonis of the Dallas firm Palmer and Palmer, were unsuccessful.

On June 14, Navarro petitioned the bankruptcy court to dismiss the bankruptcy filing and assign a trustee to operate the firm. Navarro alleged 20 percent owner Steve Feinstein did not have the authority to file for Chapter 11.

Although the challenge to the Chapter 11 filing was dismissed, the action does not mean Feinstein controls the company; that will be determined by a district court. Navarro holds the other 80 percent.

The 14 members of the unsecured creditors committee include L.G. Cook, American Standard, Henry Brandt, Bill Wood, Georgia-Pacific, American Distributors, Harbor Sales, Arcade Printing, the St. Louis Post Dispatch, Intercapco, Jeff City Distributors, Suburban Journals, Bellspar Corp., Price Pfister and Carlisle Atlantic Corp.

It has already been reported that even with court protection, vendors owed money by Eclipse have stopped shipping to Eclipse except on a cash, up-front-only basis (*NHCN*, July, 11)

Also, financing from Citicorp continues for Eclipse on "an indefinite basis" according to Radloff, thanks to bankruptcy court action which took place on July 13. The next hearing to determine funding was scheduled for August 15.

Cotter & Co. names Thompson gmm

By an NHCN staff editor

CHICAGO — Jerome Thompson, the merchandise manager of specialty departments, has been named Cotter & Co.'s new general merchandise manager.

For the rest of the year, he will be working with Cotter's long-time gmm Edward Lanctot, who will retire officially in January. The position Thompson vacates will be filled by tool department manager Bernie Zurn.

The 69-year-old Lanctot, who is also secretary/treasurer, has been with the nation's largest hardware wholesaler since 1947, when he and the company's chairman John Cotter started the co-op in a small office on Chicago's Clark Street, distributing merchandise to a mere 12 dealers.

Today, the company has grown to 7,100 hardware dealer-members and $1.8 billion in sales last year.

"There's no replacing a guy like Ed, just as there's no replacing someone like my father," said Dan Cotter, the co-op's president.

Edward Lanctot, Cotter & Co. gmm, will retire in January.

NHCN photo

Consequently, Cotter expects that the role of general merchandise manager will be altered somewhat under the 52-year-old Thompson who, with basics department merchandise manager Nick Arena, has been supervising the actual product buying for the co-op for several years. Thompson has been with Cotter for 17 years.

The company's buying department was responsible for $225 million in merchandise inventory last year, according to the co-op's 1987 annual report. And, with the departure of Lanctot, Dan Cotter expects line responsibilities to be dispersed a bit, and the management of the department to expand.

Cotter said that Lanctot's main bailiwick had been "merchandising" (i.e., advertising and marketing) and thought that Lanctot's primary contribution to Cotter & Co.'s success had been his development of its direct mail program, which has been instrumental in drawing customers into the dealers' True Value Hardware stores and, in many ways, has boosted dealers' buying commitments out of Cotter's 13 warehouses nationwide.

"We did our first piece the first year Eddie was here, and now the circulation is up around 100 million annually," he said.

Neither Lanctot nor Thompson was available for comment.

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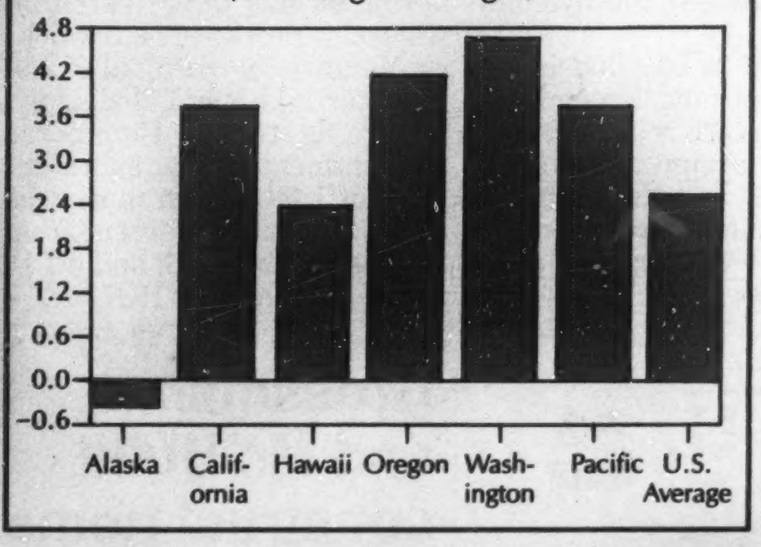
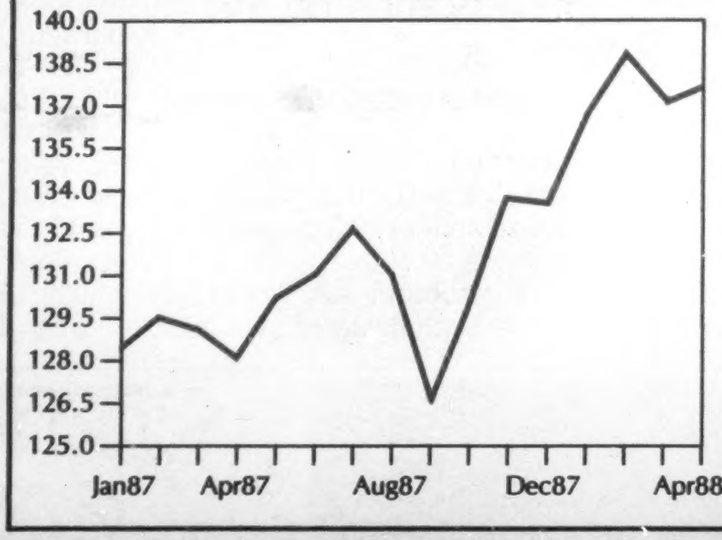
Business Watch

Section 4

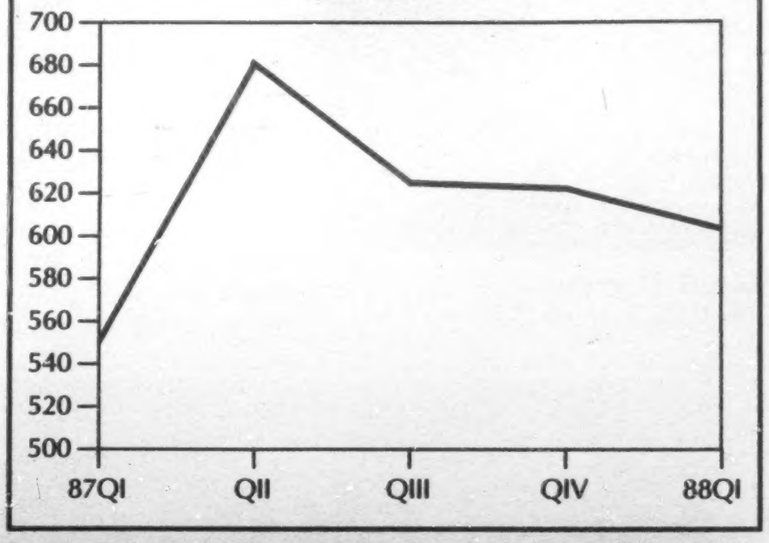
Strong employment gains . . .



. . . fueled by a recovery in lumber production . . .



. . . will offset weakness in resales . . .



Pacific area forecast shows strong gains in '88 material sales

By Richard E. Mount
Special to NHCN

Building material sales in the Pacific states are expected to increase 8.4 percent this year, faster than the 5.6 percent national average. This will make the Pacific states the strongest growth market in the nation. Adjusted for price increases, unit sales for the Pacific region will be up 5.2 percent.

Strong employment gains are the leading factor for the rising demand for building material sales in the Pacific states. Total employment for the region is up 3.8 percent from last year; nationally it is up only 2.6 percent.

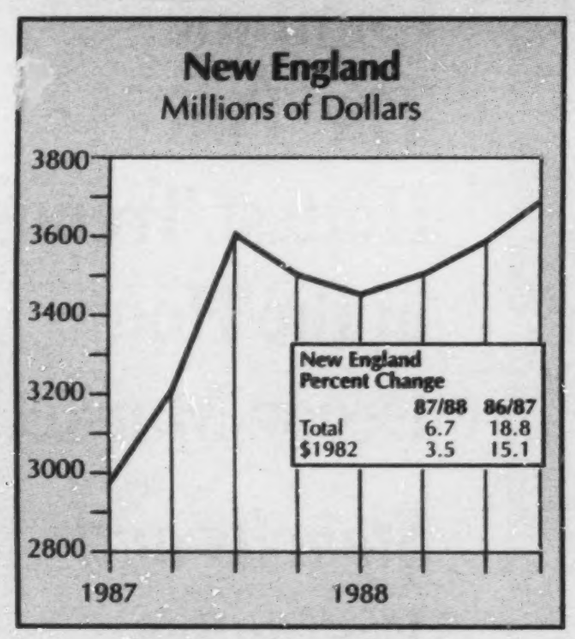
California dominates the region's economy, and employment is up 3.8 percent, propelled by strong gains in construction. But the big story for the region is that the strength in employment is now shifting to Oregon, up 4.2 percent, and Washington, up 4.7 percent. The decline in the dollar is boosting domestic lumber production, currently 7.5 percent higher than a year ago. Hawaii's 2.3 percent rise in employment is weak by the region's standard, although in line with the nation. Strength in services is being offset by weakness in construction. Alaska is the only soft spot in the Pacific states with employment down 0.4 percent. The state continues to be harmed by weakness in energy markets.

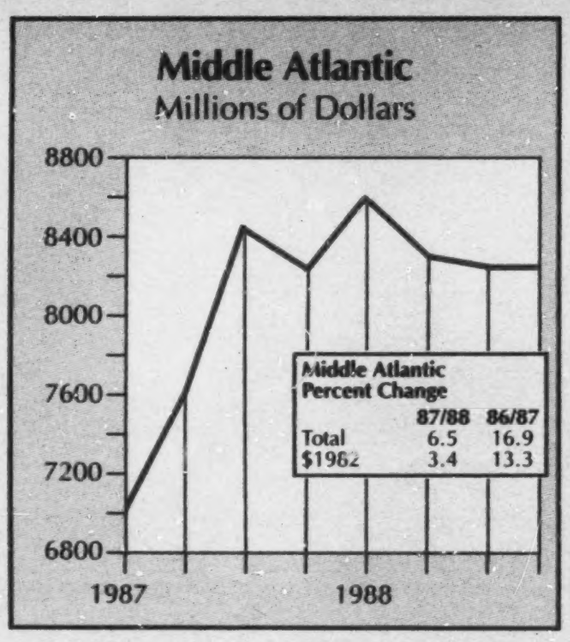
Richard E. Mount

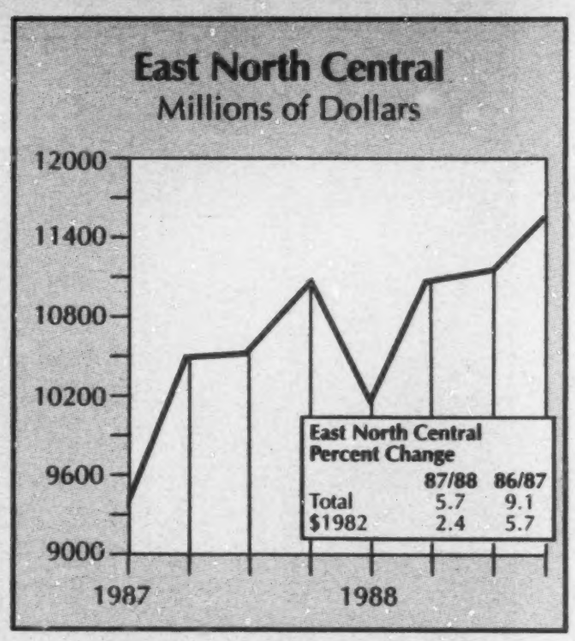
For building material retailers trying to ascertain the future direction of localized sales, it is best to keep in mind that the economy is shifting from a financial services-led expansion to one of manufacturing and exports. The prior surge in building material sales in New England and the Middle Atlantic states during 1986 and 1987 is now shifting to the lumber-producing Pacific Northwest and industrialized areas of the nation. When evaluating local business prospects for the coming year, it is best to consider sources of employment.

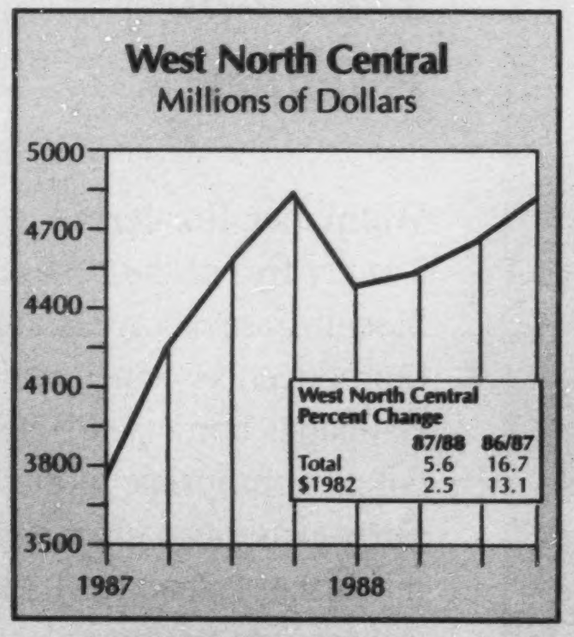
Richard Mount is president and chief economist with Mount Economic Consulting.

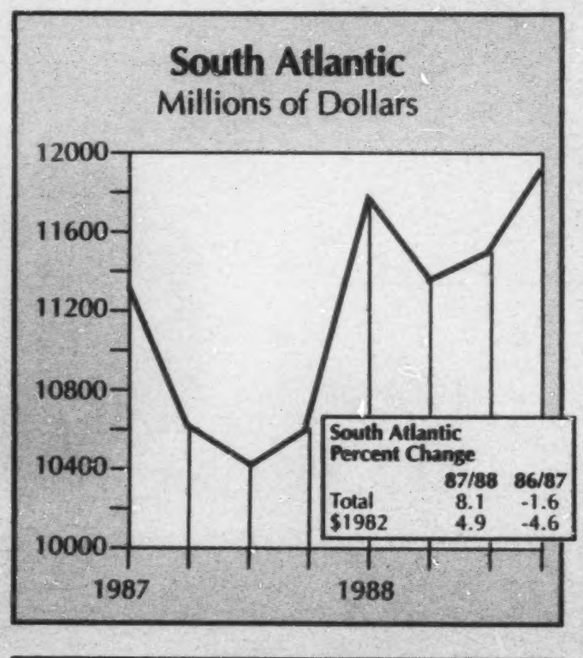
Regional Outlook: Building Material Sales

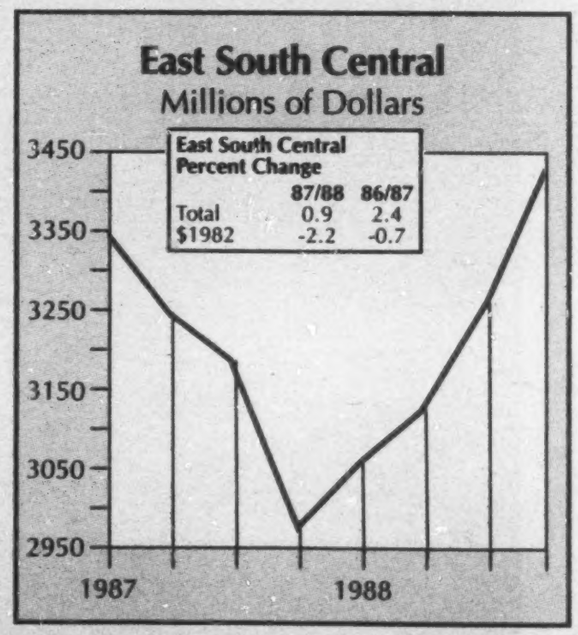


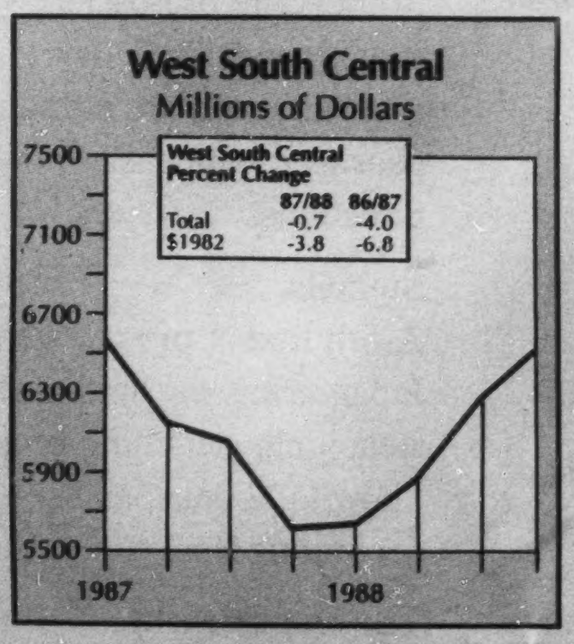


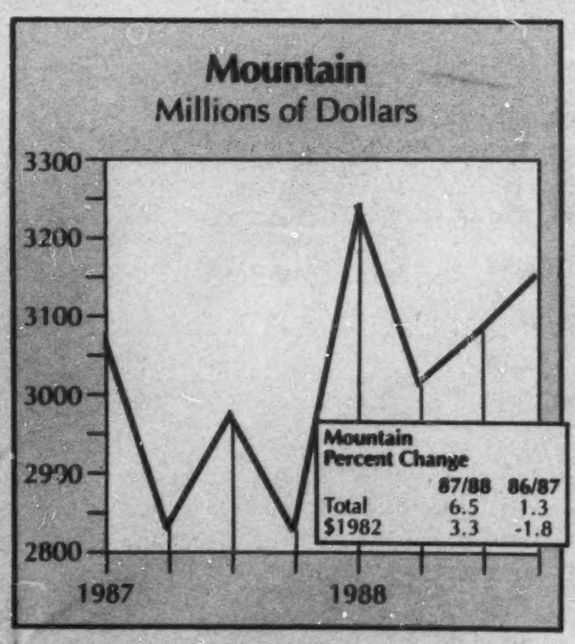


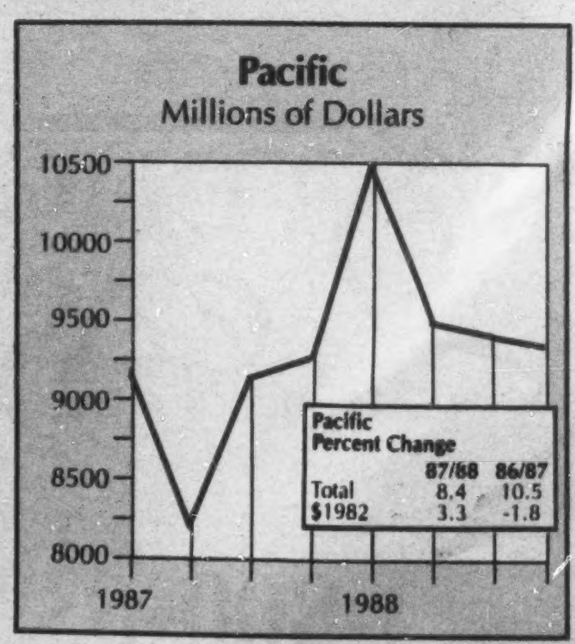












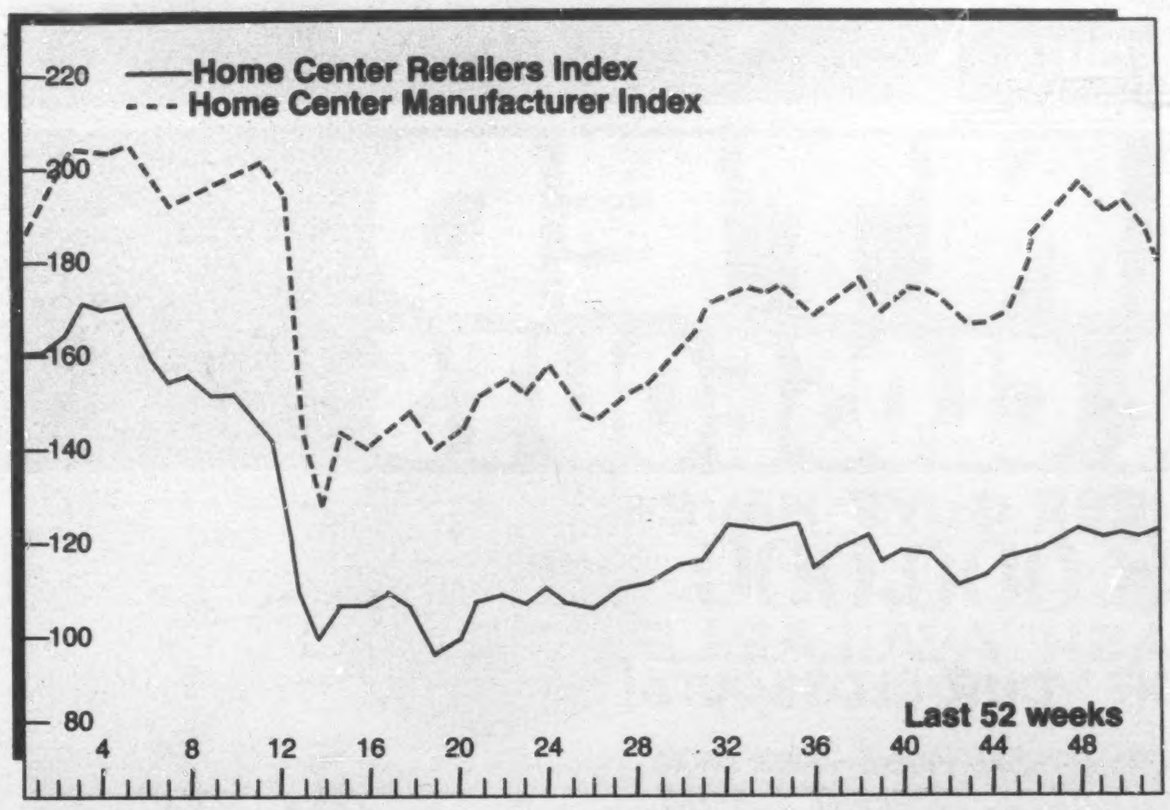
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 22, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Industry stocks get hammered

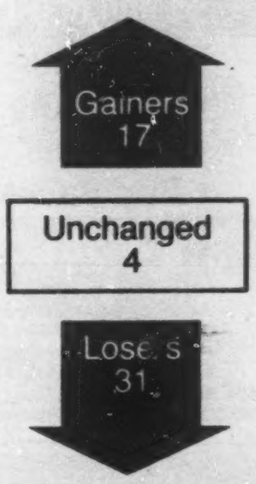
The prices for home improvement companies' stocks were hammered during the two weeks ended July 22. Thirty-one firms saw their share prices drop, and only 17 had increases during the period. Four remained unchanged.

On the retail side, the biggest gainer by far was Interco, the St. Louis-based parent of Central Hardware, whose stock price rose 27.2 percent to $57.25 per share. During this period, Interco's management announced its plans to restructure the company.

Another chain whose stock rose was NHD Stores. Its per share price went up 10.5 percent over the two weeks to $5.25. But for the most part, publicly held dealers experienced declines, the most severe being the 9.1 percent fall off of Hechinger A stock to $17.50 per share.

Manufacturers' performances were all over the lot, but mostly sagged. American Consumer Products (10.5 percent up to $11.88 per share) and Mor-Flo Industries, the water heater producer (8.7 percent to $6.25 per share) had the best results. But the stock market reacted negatively to Georgia-Pacific's announcement of a 20 percent decline in quarterly earnings, and the company's share price fell 9.9 percent to $37.38.

And the market also remained inexplicable, as the stock price of Black & Decker—which reported record quarterly earnings—also dropped 9.3 percent to $22 per share. Waxman Industries, the acquisition-hungry distributor whose earnings have thrived, sold at $11.13 per share, which represented a 9.2 percent decline.



National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 7-22-88	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Period	Date Ended	Latest Quarter: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.	Year-to-Date: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.88	.38	6.8	5.88	5.50	11.75	4.00	217	.54	.63	- 14.3	17.3	.00	.0	.....	6 mos.	05-88	19.7	16.6	.3	- 57.1	.08	- 60.0	34.6	16.1	.2	- 80.0	.05	- 82.8
Grossman's Inc ..... M	7.00	.38	5.7	7.13	6.13	10.00	4.13	10,438	3.99	1.64	143.3	14.0	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A ..... M	17.50	- 1.75	- 9.1	19.25	17.50	26.50	14.25	4,991	3.46	2.70	28.1	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.00	- 1.00	- 5.3	19.25	17.50	26.75	15.50	304	.19	.18	5.6	15.4	.06	.3	.....	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot ..... N	26.00	- 1.25	- 4.6	27.75	25.88	29.75	12.13	19,148	3.90	1.64	137.8	21.3	.12	.5	.....	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc ..... N	57.25	12.25	27.2	58.50	45.00	58.50	29.50	69,349	18.52	2.53	632.0	15.6	1.72	3.0	.....	3 mos.	05-88	778.1	- .4	30.7	15.8	.80	29.0	778.1	- .4	30.7	15.8	.80	29.0
K mart Cp ..... N	33.13	- 1.38	- 4.0	35.50	33.00	48.38	21.63	35,570	1.77	.92	92.4	9.7	1.32	4.0	.....	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos ..... N	21.50	.13	.6	22.13	21.25	29.38	15.25	3,826	.97	.61	19.8	13.4	.44	2.0	.....	3 mos.	04-88	590.6	3.8	15.1	17.1	.39	18.2	530.6	3.8	15.1	17.1	.39	18.2
NHD Stores ..... M	5.25	.50	10.5	5.25	4.75	9.25	3.75	282	2.08	.59	252.5	9.7	.00	.0	.....	3 mos.	04-88	9.8	11.4	- .1	NC	- .06	- 100.0	9.8	11.4	- .1	NC	- .06	- 100.0
Nail Lumber ..... M	3.13	.13	4.2	3.25	3.00	5.75	2.50	200	.35	.21	66.7	NE	.00	.0	.....	*	04-88	NC	NC	NC	NC	NC	NC	38.1	NC	.1	NC	.01	NC
Payless Cash ..... N	26.75	- .63	- 2.3	27.25	26.63	27.50	9.63	46,361	13.77	9.15	50.5	32.2	.16	.6	NEW	6 mos.	05-88	537.9	10.0	17.2	6.2	.51	8.5	895.6	9.1	19.8	.5	.59	3.5
Scotty's Inc ..... N	12.75	- .38	- 2.9	13.63	12.75	15.88	10.00	604	.41	.26	57.7	16.1	.52	4.1	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	35.88	- .50	- 1.4	37.13	35.63	59.50	26.00	52,904	1.40	1.52	- 7.9	8.8	2.00	5.6	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt ..... N	14.50	- .25	- 1.7	14.88	14.13	31.88	10.63	1,964	3.73	2.30	62.2	NE	.00	.0	.....	3 mos.	04-88	73.8	- 6.5	1.1	- 74.4	.13	- 75.0	73.8	- 6.5	1.1	- 74.4	.13	- 75.0
Strober Organiz ..... M	10.75	.25	2.4	11.25	10.50	13.00	6.25	215	.35	.32	9.4	14.1	.00	.0	.....	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos ..... N	9.88	- .38	- 3.7	10.50	9.13	21.88	7.25	10,181	2.13	1.55	37.4	NE	.00	.0	.....	3 mos.	04-88	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0
Wolohan Lumber ..... M	16.25	.25	1.6	17.13	15.75	18.75	8.75	2,469	4.22	1.33	217.3	10.9	.24	1.5	.....	3 mos.	03-88	42.3	2.9	.8	- 20.0	.14	- 22.2	42.3	2.9	.8	- 20.0	.14	- 22.2
Zayre Corp ..... N	20.13	1.25	6.6	21.25	18.88	37.00	13.50	55,591	9.80	3.65	168.5	11.1	.40	2.0	.....	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply ..... N	17.75	.00	.0	18.00	17.50	20.19	13.19	335	.67	.41	63.4	9.4	.32	1.8	.....	3 mos.	04-88	116.5	21.6	2.1	5.0	.43	10.3	116.5	21.6	2.1	5.0	.43	10.3
Moore Handley ..... M	4.75	.75	18.8	4.75	4.75	9.00	3.75	20	.08	.20	- 60.0	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer ..... M	10.50	.00	.0	10.50	10.50	11.50	5.75	2	.01	2.85	- 99.6	24.4	.28	2.7	.....	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods ..... M	11.88	1.13	10.5	12.00	10.75	12.00	6.31	2,024	7.79	1.52	412.5	17.0	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.17	54.5	17.5	90.2	.4	33.3	.17	54.5
Am Woodmark ..... M	8.50	.38	4.6	8.75	8.13	13.88	5.91	948	1.26	.29	334.5	12.1	.00a	.0	.....	fiscal	04-88	33.5	14.3	.9	- 40.0	.12	- 40.0	129.5	11.6	5.3	- 22.1	.70	- 23.9
Armstrng Wrld ..... N	36.38	- 1.13	- 3.0	37.50	36.00	47.38	22.50	9,286	2.01	1.52	32.2	10.9	1.00	2.7	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker ..... N	22.00	- 2.25	- 9.3	24.75	21.50	26.50	13.00	24,469	4.18	2.06	102.9	16.9	.40	1.8	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade ..... N	43.63	- 1.88	- 4.1	45.63	43.50	51.16	28.81	11,821	2.62	1.14	129.8	8.3	1.20	2.8	NEW	6 mos.	06-88	1007.2	7.6	72.3	105.4	1.59	130.4	2023.5	9.5	140.8	86.7	3.06	106.8
Champ Intl ..... N	33.38	- 2.13	- 6.0	36.38	32.88	44.63	21.75	27,907	2.93	1.51	94.0	8.2	1.00	3.0	NEW	6 mos.	06-88	1262.3	8.7	112.2	- 27.9	1.18	- 28.0	2528.4	12.0	214.2	1.4	2.25	.9
Clairson Intl ..... M	5.00	.38	8.1	5.00	4.63	11.25	4.50	197	.39	1.10	- 64.5	NE	.00	.0	.....	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus ..... N	54.13	- 2.13	- 3.8	56.63	52.88	74.50	39.00	21,369	4.21	1.09	286.2	15.2	1.80	3.3	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc ..... N	36.13	- 2.00	- 5.2	40.75	35.75	42.00	21.00	3,463	8.68	2.06	321.4	19.3	1.40	3.9	NEW	6 mos.	06-88	122.0	2.8	4.1	- 39.7	1.04	- 39.9	219.5	5.0	5.9	- 34.4	1.48	- 34.8
Emhart Corp ..... N	21.25	- .75	- 3.4	21.75	21.00	26.63	15.50	9,275	1.48	.73	102.7	11.9	.80	3.8	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific ..... N	37.38	- 4.13	- 9.9	41.75	37.13	48.38	22.75	28,614	2.73	1.05	160.0	8.5	1.20	3.2	NEW	6 mos.	06-88	2418.0	15.4	118.0	- 20.3	1.20	- 11.1	4533.0	14.8	224.0	- 1.8	2.22	7.8
Insilco Corp ..... N	20.50	.38	1.9	20.88	19.50	28.13	14.00	3,264	1.56	.75	108.0	NE	1.00	4.9	.....	3 mos.	03-88	136.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific ..... N	33.75	- 2.38	- 6.6	36.25	33.13	39.75	21.50	16,515	4.31	1.58	172.8	8.1	.92	2.7	NEW	6 mos.	06-88	405.2	- 17.1	39.2	12.6	1.02	12.1	686.2	- 2.6	85.7	67.7	2.23	68.4
Macmillan Bloedel ..... M	15.75	- 1.38	- 8.0	17.38	15.38	23.50	12.00	11,483	1.12	.49	128.6	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	1.88	- .13	- 6.3	2.13	1.88	4.13	1.75	3,726	1.55	1.00	55.0	.3	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp ..... N	27.13	- 1.63	- 5.7	29.00	26.75	39.25	18.75	21,099	1.59	.96	65.6	14.8	.48	1.8	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds ..... M	6.25	.50	8.7	6.25	5.75	12.25	5.50	114	.46	.46	.0	NE	.01	.2	.....	3 mos.	03-88	55.4	- .2	- .4	- 100.0	- .18	- 100.0	236.2	133.2	9.9	62.3	.64	25.5
Newell Co ..... N	45.75	1.75	4.0	46.75	43.63	46.75	21.13	1,891	1.64	.83	97.6	15.9	1.00	2.2	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	337.3	16.2	2.1	- 77.2	.14	- 75.4
Nortek Inc ..... N	7.63	.00	.0	8.00	7.50	14.63	5.00	2,496	1.63	1.17	39.3	NE	.10	1.3	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	1367.0	NC	80.0	NC	1.93	NC
Owens Corn ..... N	21.75	- .13	- .6	24.50	21.75	26.88	9.00	12,022	3.01	1.26	138.9	4.1	.00	.0	NEW	6 mos.	06-88	735.0	NC	52.0	NC	1.27	NC	1367.0	NC	80.0	NC	1.93	NC
Ply-Gem ..... A	14.13	- 1.00	- 6.6	15.25	14.13	17.75	9.00	1,573	1.41	.79	78.5	21.1	.12	.8	.....	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot ..... N	19.50	- .25	- 1.3	19.88	19.38	27.25	9.75	3,841	3.21	1.03	211.7	8.1	.50	2.6	NEW	6 mos.	06-88	122.0	14.8	6.8	- 5.6	.57	- 5.0	237.7	15.1	14.8	6.5	1.24	7.8
Potlatch Cp ..... N	31.25	.38	1.2	32.50	29.75	39.25	21.00	6,341	2.36	.73	223.3	8.9	.92	2.9	NEW	6 mos.	05-88	266.8	9.4	24.5	9.9	.88	10.0	525.0	6.6	51.0	27.2	1.83	28.0
PPG Inds ..... N	43.50	- 1.38	- 3.1	45.75	43.38	51.00	27.50	15,460	1.22	.85	51.8	12.3	1.41	3.2	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Rep Gypsum ..... N	5.75	.00	.0	5.88	5.63	8.63	4.63	233	.23	.27	- 14.8	27.4	.36	6.3	.....	9 mos.	03-88	11.9	- 5.6	.1	- 80.0	.01	- 83.3	39.3	- 9.0	1.3	- 87.3	.13	- 80.6
Sherwin-Wms ..... N	27.13	- .13	- .5	28.50	27.00	36.13	20.13	8,290	1.90	.79	140.5	12.5	.64	2.4	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works ..... N	26.00	- 2.00	- 7.1	28.63	25.75	36.63	21.25	3,127	.73	.51	43.1	12.5	.88	3.4	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds ..... N	22.25	- 1.13	- 4.8	23.25	22.25	24.50	13.81	348	.33	.61	- 45.9	12.6	.68b	3.1	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Union Camp ..... N	34.00	- 2.88	- 7.8	36.88	33.75	47.63	26.00	10,138	1.37	.97	41.2	10.7	1.24	3.6	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
Waxman Ind ..... M	11.13	- 1.13	- 9.2	12.13	10.88	12.25	4.84	4,362	7.13	4.31	65.4	12.6	.09	.8	NEW	9 mos.	03-88	38.6	24.5	1.9	111.1	.45	350.0	111.5	31.6	4.7	88.0	.75	177.8
Weyerhaeuser ..... N	25.13	- 1.13	- 4.3	26.63	24.13	38.94	12.69	58,954	1.92	.71	170.4	12.7	1.20	4.8	.....	3 mos.	03-88	1855.5	14.7	114.2	12.1	.36	- 28.0	1855.5	14.7	114.2	12.1	.36	- 28.0

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market
*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Maine's Shelter Institute teaches DIY home building

(Continued from page 6)
framing, foundation repair and construction, blueprint reading, electrical and window installation. Alternative methods are taught so that students are aware of any options or peculiarities with his or her site limitations.

Patsy Hennin said alternative building techniques are taught to help preserve the natural lay of the land at the construction site and to help the students build energy-efficient homes.

"A basic tenet here is understanding the implications of your choices," Hennin said. "That's why we show houses that use less energy."

A key element in the training session, however, is to acquaint the students with major building products and tools. Students are taught lumber grades, how to distinguish the end uses for structural panels, and how to read grading stamps.

She said this makes the Institute's graduates good home center shoppers.

"When these people return to their home towns, the local home centers and lumberyards play a different role in their lives, I can tell you that."

Hennin said the program's graduates have included people fresh out of college as well as retired grandparents, and have come from all walks of life: A Virginia couple in their 70s, a New York divorcee who owned a piece of Vermont countryside, a housewife, a 72-year-old New Orleans woman who said she had never held a hammer, Japanese architects and bank loan officers.

Two-thirds of the Institute's graduates have built their own homes.

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Vol. 14, No. 16 August 8, 1988

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National
Home Center News

Vol. 14, No. 17 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 22, 1988

A craftsman carves a squirrel out of a log at the International Lawn, Garden and Power Equipment Expo. NHCN photo

Weather dominates talk at Lawn & Garden Expo

By Tom Bagsarian

LOUISVILLE, Ky. — Many lawn and garden dealers were having their best year ever—until June. Then sales dried up with the drought, leaving dealers hoping for a wet fall and manufacturers cutting back next year's production levels in anticipation of inventory being held over.

The only clear beneficiaries of the drought may be consumers who purchase power equipment next spring, when excess inventory could result in deep discounts.

These conclusions emerged from last month's International Lawn, Garden and Power Equipment Expo here, in its fifth year, where the weather seemed as big a topic of conversation as the newest products and the best deals.

For example, Burke's Lawn and Garden Equipment in Valparaiso, Ind., had its best sales ever in April and May. Then the drought hit and "and it was just like someone put

(Continued on page 66)

Sequoia signs intent letter for merger with Grip-Rite

By Brad Altman

IRVINE, Calif. — Sequoia Supply, the building materials distributor based here, has signed a letter of intent to merge with the Grip-Rite Group, a White Plains, N.Y., wholesaler.

The combined company, with annual sales of about $425 million, would become the nation's largest independent (nonmanufacturing) distributor of building materials.

Arrangement of financing and a definitive agreement are expected to be reached by late October. Terms are not being disclosed.

Paul W. Hylbert, Sequoia Supply's ceo, and Marvin E. Miller, president of Grip-Rite, said the two companies would complement each other if combined. Grip-Rite specializes in nails and other metal products but also does substantial volume in building materials, which is Sequoia Supply's main focus.

Grip-Rite now has 10 wholesale distribution centers serving 20 states. Sales were approximately $150 million in 1987.

Sequoia Supply operates 33 distribution centers in 30 states and has annual sales of $275 million.

The combined company would have about 1,000 em-

(Continued on page 66)

Payless details first cost-cutting measures to reduce buyout debt

By Gary S. Ruderman

KANSAS CITY, Mo. — Hours after the close of business August 3, the boom at the new Payless Cashways was lowered on more than 300 store employees in Columbus, Ohio.

In meetings with regional personnel managers August 3 and 4, employees were told Payless' four Furrow Building Centers here would be closed September 15. Personnel managers were in Columbus the week of August 8 to offer relocations "if positions are open," an employee told *NHCN*.

Knox Lumber curtails expansion due to Payless LBO Page 3

The meetings and store closings coincided with a senior level management reorganization at Payless, eliminating a number of vice presidents and placing more power in the hands of senior vp-marketing and merchandising Dale Pond through the inauguration of new vp posts in merchandising.

It is also the first response Payless is making to cut expenses to help pay its first-year debt service which, according to SEC documents, will be $144 million.

As employees in six markets got the word of store clos-

(Continued on page 65)

Home center chains eyeing Bradlees' sites

By Elizabeth Brent

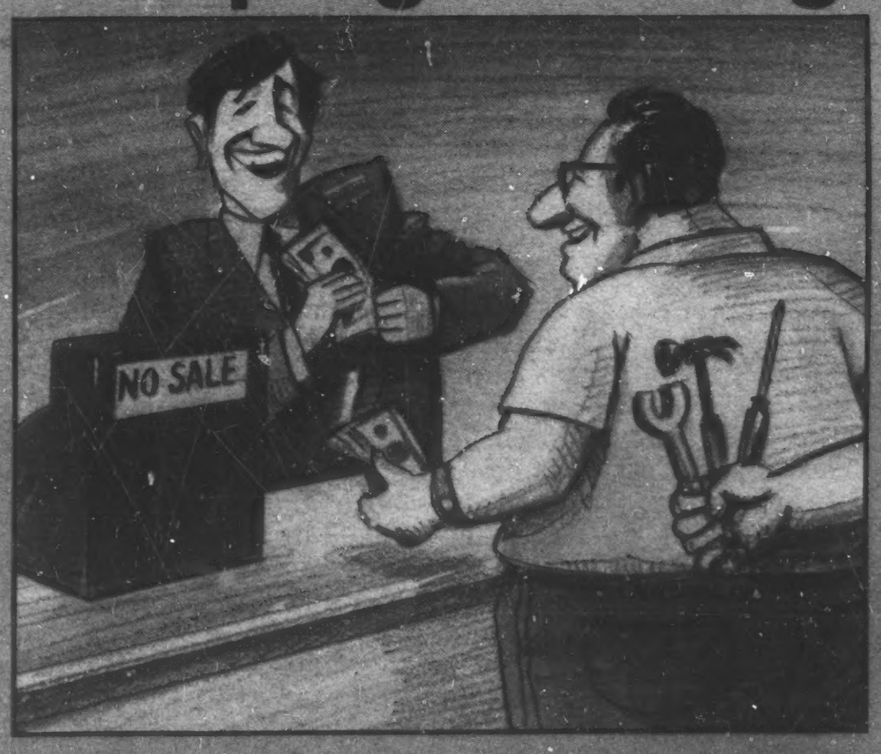
NATIONAL REPORT — A number of home improvement chains have shown interest in the 58 Bradlees stores recently put up for sale by its parent Stop and Shop, the Braintree, Mass., retailer.

The Atlanta-based Home Depot is one chain that has looked at several Bradlees locations, according to its president Arthur Blank. However, Blank declined to comment on whether his company had bid for any of the sites.

A recent article by *Womens Wear Daily*, reported that Hechinger has also made a bid for sites, but gave no attribu-

(Continued on page 65)

New programs target shrinkage problem



By an NHCN staff editor

NATIONAL REPORT — O'Malley's, the Phoenix-based dealer, has sent out an SOS in its fight against in-store theft.

The signal, though, is not one of alarm but employee participation. Its "Stamp Out Shrinkage" employee incentive program pays workers a percentage of the amount of money they save the company by reporting a shoplifter or a mismarked item.

Training employees to be alert for thieves appears to be the cornerstone of most dealers' loss prevention programs, and it has been effective in limiting shrinkage for several major chains.

"Shoplifting only occurs when you're not doing what you're supposed to do," said Joseph Galvin, assistant vp-loss prevention at Channel Home Centers, the 180-unit chain based in Whippany, N.J. "A well-educated, well-informed employee" is the best deterrent, he added.

Shrinkage remains a major irritant for most dealers, and cuts into business to the tune of $20 million to $30 million annually, or 1.5 percent to 2 percent of total retail sales, according to Coopers & Lybrand, the accounting firm which has

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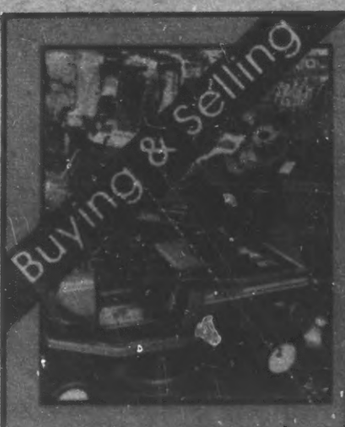

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NEWSBREAKS

IMPORTER HITS MAKITA WITH $22.8 MILLION SUIT: Trade Associates Inc., a Seattle-based cordless and air tool firm, filed an unfair competition suit August 10 in U.S. District Court here alleging Makita U.S.A. and affiliated companies mislabeled products to mislead U.S. consumers and other charges.

SECOND ILLINOIS UNIT FOR MENARDS: The Eau Claire, Wis.-based chain expects its store in Champaign, Ill., will debut next month, bringing its total to 40.

INDUSTRY UPDATE

Philips spins off new division

NEW YORK — N.V. Philips, the Dutch electronics manufacturer, has split its U.S. operations to create a new company, Consolidated Electronics Industries Corp., effective Sept. 1.

This will merge a number of North American Philips Corporation's businesses, including Genie Company, which makes garage door openers. The new company, with estimated sales of $1 billion, will be a wholly owned subsidiary of North American Philips (NAPC). Cees Bruynes, currently chairman and president of NAPC, will be its new chairman and ceo.

Gerrit Jeelof will succeed Bruynes and will continue as executive vp and vice chairman of the parent company.

HomeClub opens 1st Ariz. store

GLENDALE, Ariz. — HomeClub has set Sept. 1 as the grand opening date of its first Arizona warehouse, a 103,000-square-foot unit located in this city on the western border of Phoenix.

The Phoenix metro area has been described by industry officials as a "microcosm" of the home center industry. The market pie is divided among such major DIY players as The Home Depot, Payless Cashways, Wickes-owned Ole's, local-independent O'Malley and now HomeClub.

In a related development, the Fullerton, Calif.-based chain scheduled an Aug. 25 debut of its first unit in eastern Washington, a 101,000-square-foot outlet in Spokane. HomeClub now has four units in Washington state.

Ernst chooses Calif. ad agency

SEATTLE — Ernst Home & Nursery has chosen La Jolla, Calif.-based advertising agency Kenneth C. Smith & Associates to handle its $2.8 million broadcast account.

Kenneth C. Smith & Associates replaces Stanton Bondo & Co., the Seattle-based advertising firm that resigned the account in May, said Monty Reese, Ernst senior vp-advertising/marketing (*NHCN*, June 13).

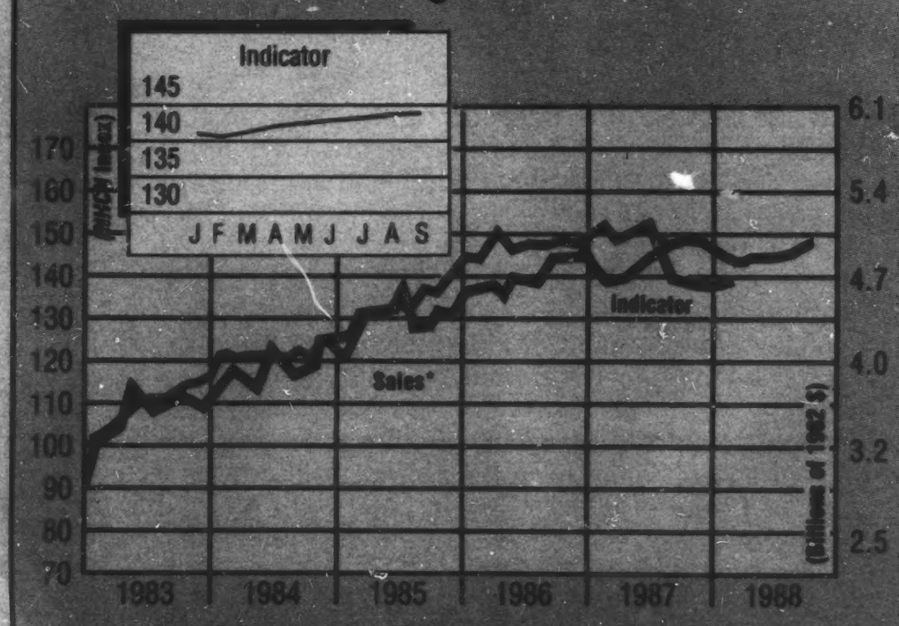
Ernst has brought its media buying function in-house with the recruitment of Carol Best from the Elgin Syford Agency in Seattle as media marketing manager.

Sutherland to close Colo. unit

COLORADO SPRINGS, Colo. — Sutherland Lumber is liquidating the inventory at its store here and plans to close it once the remaining merchandise is sold, ending a 20-year presence in this market.

A company official said the shutdown decision was made because of a combination of factors. They included worsening traffic count because of a local construction industry slump, increased DIY competition from new market players such as HomeClub and a traffic-flow problem making it difficult for vehicles to enter and exit the facility.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a small gain in building materials sales in the summer due to improvements in resales and incomes. The Business Watch column (page 53) highlights the outlook for the Pacific region, the fastest growth market in 1988.

For editorial, advertising or subscription information call NHCN's main offices at:

212-371-9400

EDITORIAL: EXT. 229

SALES: EXT. 236

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Available for calls: 9-5:30 (E.S.T.)

Pay 'N Pak reports gross margin down while ad expenses rise

By Brad Altman

KENT, Wash. — Pay 'N Pak reported a decline in its gross margin and an increase in advertising expenses in the first quarter, when it lost $269,000.

Pay 'N Pak's gross margin was 36.1 percent in the quarter ended May 31, down from 38.7 percent in its prior quarter (fourth-quarter fiscal 1988), according to an SEC Form 10-Q.

The filing said Pay 'N Pak's selling and administrative expenses as a percentage of sales for the quarter increased to 31.1 percent from 28.2 percent.

The deterioration in the gross margin was "principally due to special promotional pricing in certain markets which ended June 30, 1988," the document said. The increase in expenses "resulted principally from an increase in advertising costs due to the special promotional activity."

Asked by *NHCN* if Pay 'N Pak (now corporately called PNP Prime) would match or exceed the $12.6 million earnings for the fiscal year ended Feb. 29, a company official said, "It won't."

This same official also noted that the first-quarter loss was attributable as well to a one-time charge of $1.38 million, which was a loan repayment penalty.

Heerensperger nets $11 million in buyout
See page 60

Pay 'N Pak's goal is to service the debt burden created in a leveraged buyout by the company's management. The company has $254.2 million in long-term debt compared with $62.7 million it had in May 1987.

The quarterly results—the first loss in the company's history—"are not indicative of the registrant's future operating results or financial condition," the company said.

In the first quarter, for instance, Pay 'N Pak's growth as judged by sales volume was healthy. The company reported sales of $127.9 million, an increase of 10.9 percent from the comparable period in 1987.

"The increase in sales is offset by the lower margin and higher advertising expense caused by the special promotional activity during the quarter," the 10-Q filing said.

Pay 'N Pak went private earlier this year in a buyout orchestrated by company chairman and ceo, David J. Heerensperger.

In June, to finance the buyout, Pay 'N Pak issued $110 million of 13½ percent senior subordinated debentures due June 1, 1998, to repay notes and loans.

Pay 'N Pak's sales increased by almost 8 percent to $429 million for its fiscal year ended Feb. 29.

Western association recruits members of Ariz. counterpart

By an NHCN staff editor

ENGLEWOOD, Colo. — The Mountain States Lumber and Building Material Dealers Association (MSLBMDA) is beginning to recruit members from the former Arizona Lumber and Building Supply Association (ALBSA), following the dissolution of the latter group.

The ALBSA, following years of administrative and financial troubles, voted to disband and disincorporate May 14 in Phoenix as one of the last acts at its final state convention.

With the dissolution, the MSLBMDA began a campaign to recruit the 179 individuals and firms comprising the former association's membership.

Companies that already paid the former organization's full-year membership dues are being granted full membership privileges in the MSLBMDA for the balance of 1988. At the same time, the MSLBMDA is amending its bylaws to allow for two representatives from Arizona to serve on the 15-member regional board of directors.

The MSLBMDA may have a little competition for the Arizona dealers' membership. A former member of the Arizona group said many of his colleagues are more interested in joining the Lumber Association of Southern California, which is also an affiliate member of the National Lumber and Building Material Dealers Association.

Former Eclipse execs join new firms

By an NHCN staff editor

ST. LOUIS — Two senior executives of Missouri-based Eclipse Industries who sided with the majority stockholder in a power struggle there have left to assume new positions in other companies.

Richard Daner, former executive vp of St. Louis-based Eclipse, was named chief operating officer of Evans Paint, Roanoke, Va. Robert Roy, former cfo and vp-stores for the five-unit Eclipse, is now a Spartanburg, S.C., store manager with West Building Materials, the Atlanta-based chain. Roy was an administrative vp at Evans Products' Moore's division.

Both Roy and Daner were short-term employees of Navarro & Associates, Dallas. The two worked in unnamed capacities for Navarro, who gained an 80 percent interest in Eclipse back in March. The two men allegedly were locked out of their Eclipse offices June 9 in a battle over control of the privately held chain.

In court papers filed this summer, Navarro & Associates' president Don Navarro was poised to remove Eclipse chairman and founder Steve Feinstein and replace him with Daner. The move was foiled by Feinstein.

Daner, at Evans, will head the private- and Evans-labeled paint company owned by Miami-based APL Inc., a holding company of Victor Posner who once headed the Evans Products empire.

NHCN photo

Robert Roy, former cfo and vp-stores for Eclipse, has joined West Building Materials.

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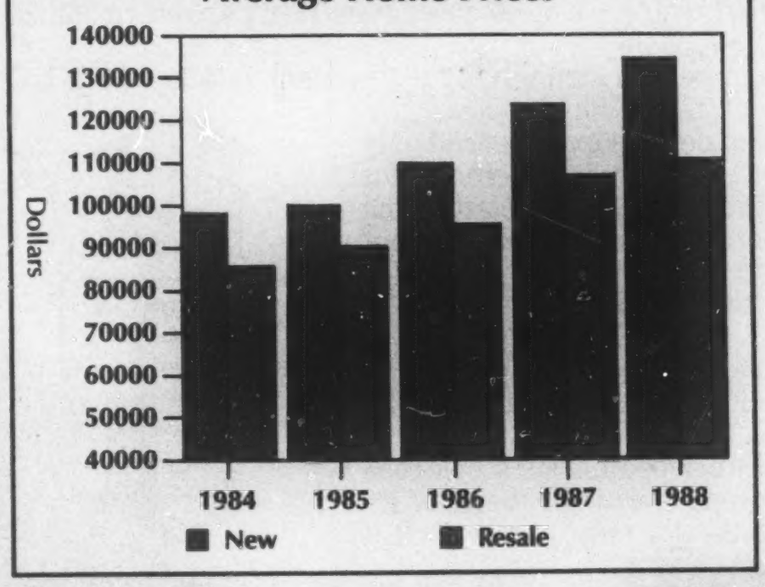
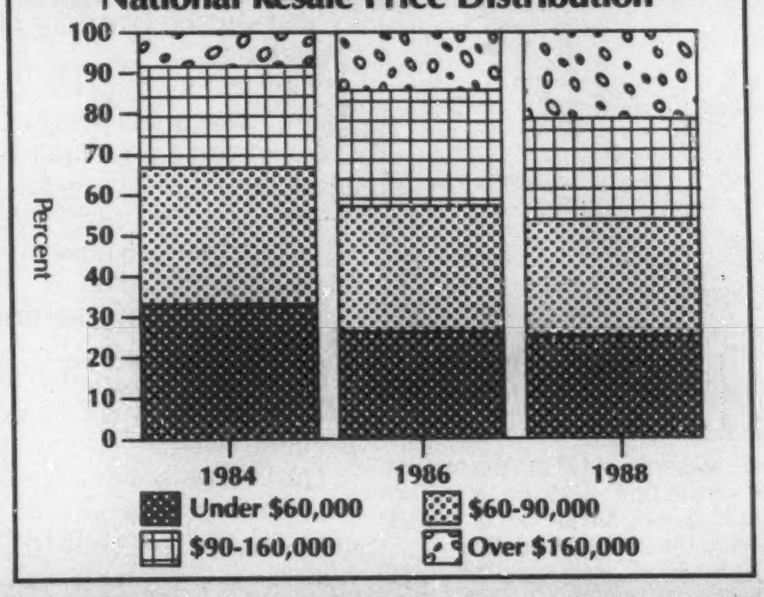
Business Watch

Section 4

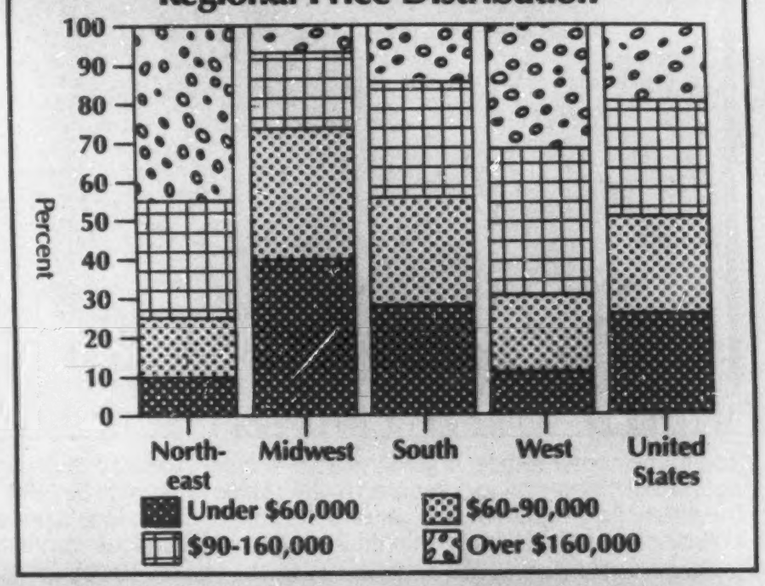
While resale prices lag behind new home prices . . .



. . .there is a strong increase in the over $160,000 . . .



. . .and sharp regional differences.



Strength in resales boosts outlook for building materials

By Richard E. Mount
Special to NHCN

Recent strength in resales suggests a stronger year for building material sales this year.

Resales have shown themselves to be the best indicator of future retail building material demand. Resales increased 5.3 percent in June to 3.78 million units, their fifth consecutive monthly increase. The *NHCN* Leading Indicator is now calling for a more robust third and fourth quarter than originally thought.

We have therefore changed the 1988 forecast for retail building material sales to an 8.1 percent gain, up from a previous 5.6 percent. Adjusted for inflation, the rise will be 5.2 percent.

Richard E. Mount

Resales should remain strong this year and next, despite declines in housing starts and new home sales, keeping retail building material sales strong.

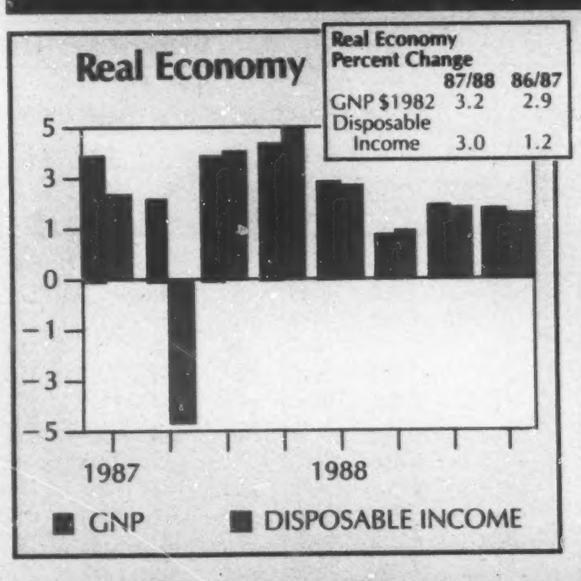
The major reason we expect resales to be stronger than new home sales is the wide gap in prices. Today's average new home price is $135,900, up 39 percent from 1984. Resale prices, on the other hand, are currently $112,100, 17 percent less than today's new home price, but still 30 percent above their 1984 level.

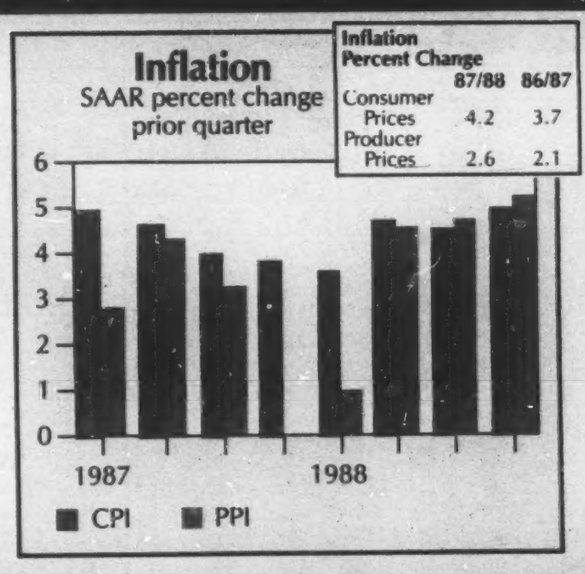
The distribution of prices varies dramatically across the nation. In the Northeast, where land acquisition prices for builders are high, more than 44 percent of resales are above $160,000 and less than one quarter below $90,000. The average price—at $157,800—is the highest in the nation.

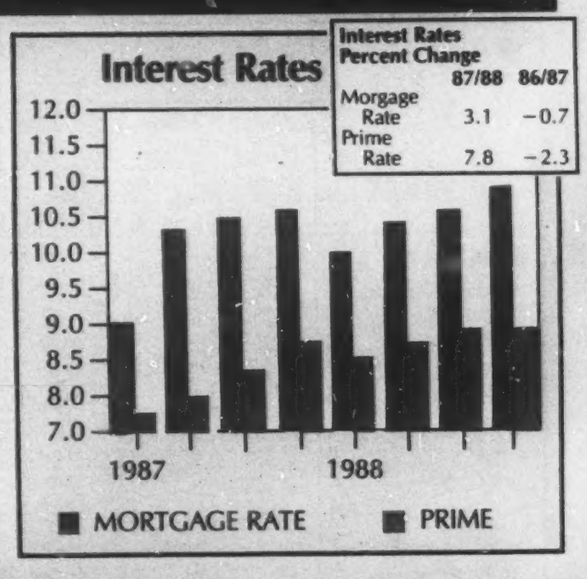
This contrasts with the Midwest, where only 6 percent are high priced and 74 percent low. The South is the closest to the national average, although only 14 percent of its homes are priced above $160,000. The West is the second highest-priced resale market, with an average price of $144,100. About 34 percent of homes are above $160,000 in this region.

Richard Mount is president and chief economist with Mount Economic Consulting.

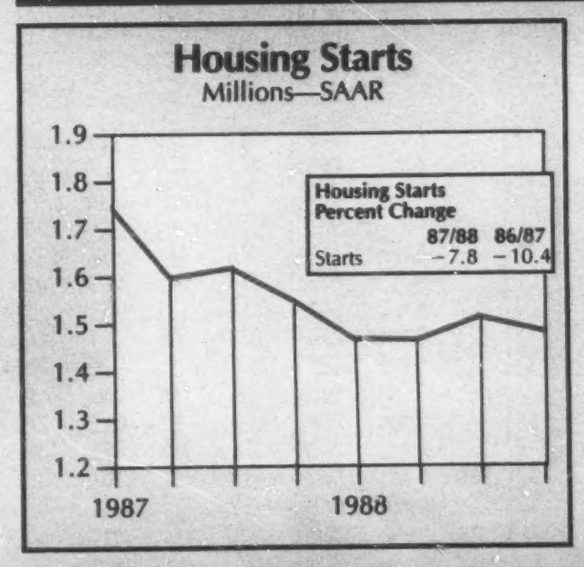
General Business Conditions

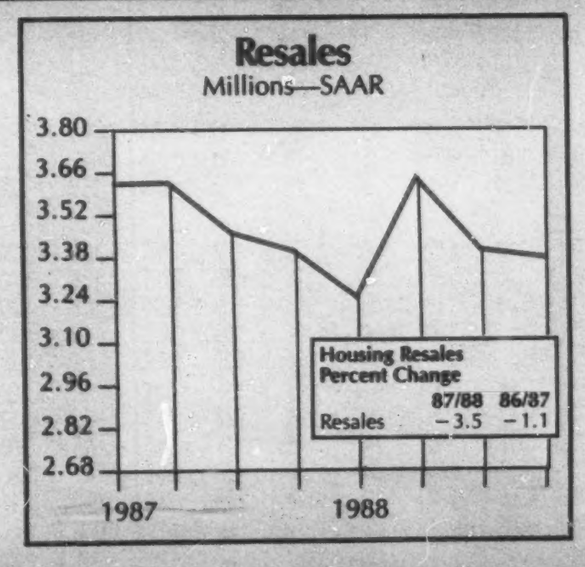


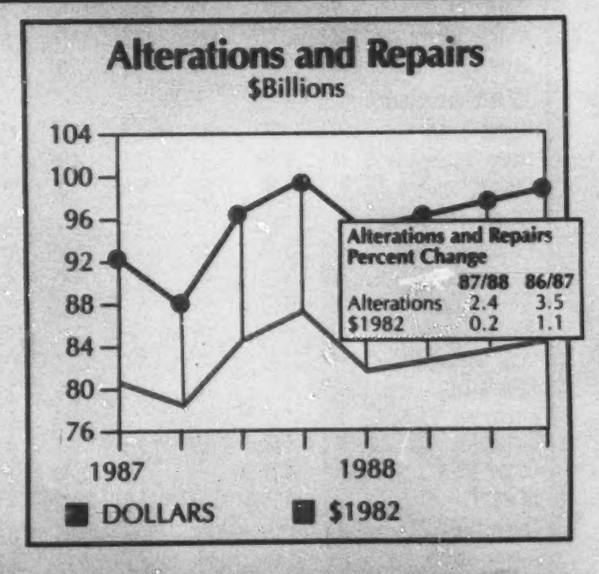




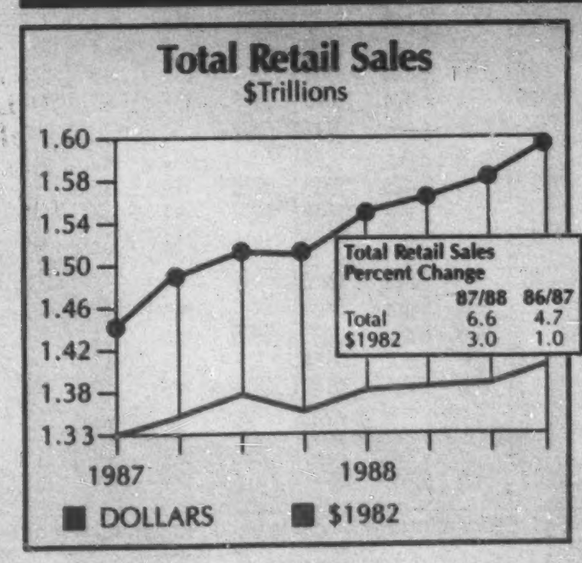
Housing

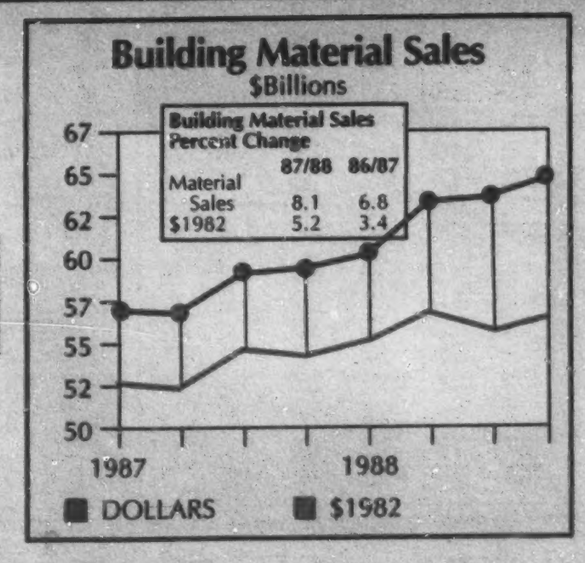


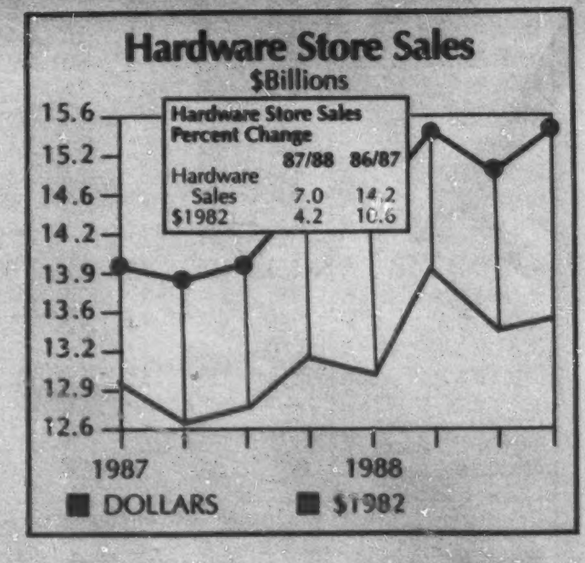




Retail Trade Activity







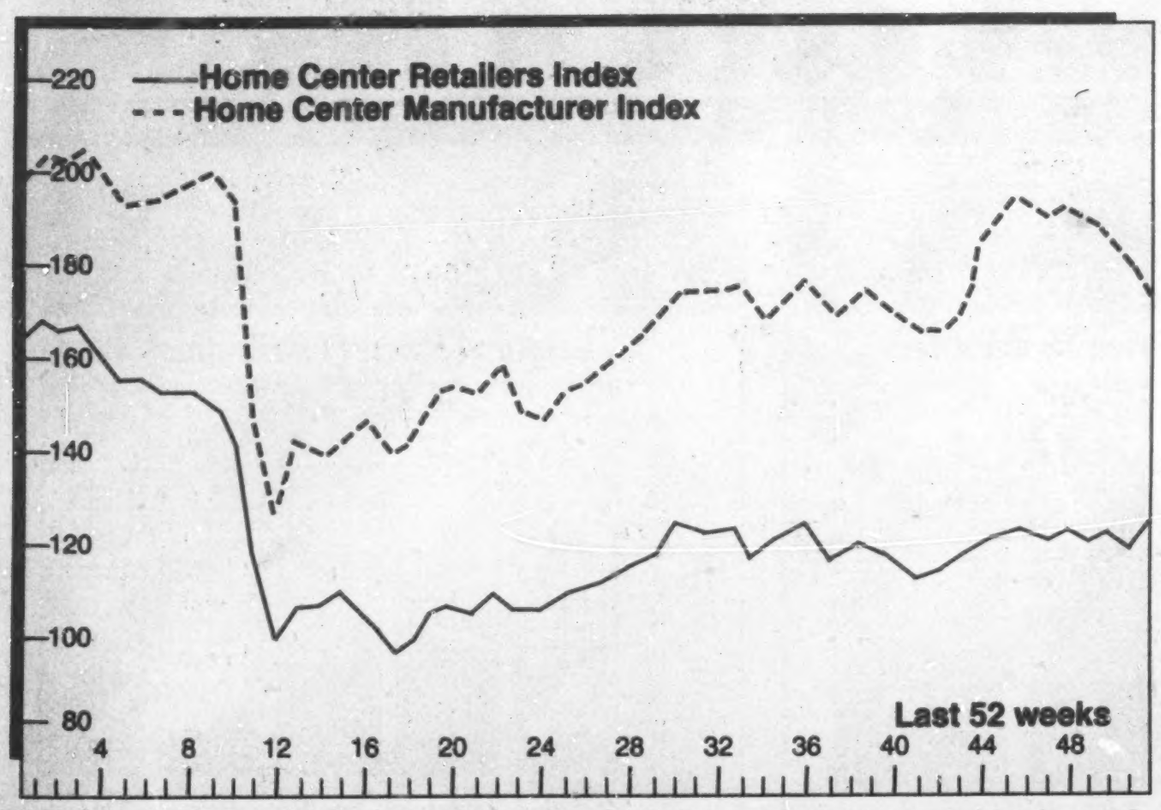
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on August 5, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Most industry stocks fare better

The stocks of home improvement companies fared much better during the two weeks ended Aug. 5. As tracked by Media General for *NHCN*, 30 companies saw an increase in their stock prices. Nineteen firms had a decline and the price of five stocks were flat.

Retailers were led by Interco, the St. Louis-based parent of Central Hardware which is being pursued by City Capital Associates, a Washington-based investment firm controlled by Steven Rales, whose $70 per share offer for the company was rejected by Interco on Aug. 8.

During the tracking period, Interco's stock price rose 19.2 percent to $68.25 per share.

Zayre Corp.'s price also increased strongly by 9.3 percent to $22, and NHD Stores saw a 4.8 percent gain to $5.50 per share.

However, a good number of dealers experienced only modest gains (such as the 0.6 percent increase for Lowe's), or declines, with the steepest drop happening to Grossman's, whose stock price decreased 8.9 percent to $6.38 per share.

Among manufacturers, there were wide swings in pricing.

For example, Insilco's stock jumped 41.5 percent to $29, while the price of Mor-Flo Industries' stock fell 22 percent to $4.88 per share.

On the plus side, American Woodmark's stock rose 11.8 percent to $9.50 and Owens-Corning Fiberglas' increased 16.1 percent to $25.25

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 8-05-88	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Dividend Rate: Amt.	Indicated Dividend Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.88	.00	.0	5.88	5.63	11.75	4.00	254	.63	.54	16.7	17.3	.00	.0	.....	6 mos.	05-88	19.7	16.6	.3	- 57.1	.08	- 60.0	34.6	16.1	.2	- 80.0	.05	- 82.8
Grossman's Inc ..... M	6.38	- .63	- 8.9	6.88	6.38	10.00	4.13	11,212	4.29	1.84	133.2	11.8	.00	.0	NEW	6 mos.	06-88	329.9	6.2	11.7	42.7	.45	9.8	533.9	6.2	2.6	52.9	.10	11.1
Hechinger A ..... M	17.25	- .25	- 1.4	18.13	17.25	26.50	14.25	10,953	7.60	2.93	159.4	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	17.25	- .75	- 4.2	18.00	17.25	26.75	15.50	365	.22	.17	29.4	14.7	.06	.3	.....	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot ..... N	27.13	1.13	4.3	28.13	25.50	29.75	12.13	16,265	3.31	1.71	93.6	22.2	.12	.4	.....	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc ..... N	68.25	11.00	19.2	69.50	57.00	69.50	29.50	81,050	21.64	4.09	429.1	18.5	1.72	2.5	.....	3 mos.	05-88	778.1	- .4	30.7	15.8	.80	29.0	778.1	- .4	30.7	15.8	.80	29.0
K mart Cp ..... N	33.63	.50	1.5	34.88	32.63	48.38	21.63	33,155	1.65	.86	91.9	9.8	1.32	3.9	.....	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos ..... N	21.63	.13	.6	22.00	20.00	29.38	15.25	7,265	1.83	.80	126.8	13.5	.44	2.0	.....	3 mos.	04-88	590.6	3.8	15.1	17.1	.39	18.2	590.6	3.8	15.1	17.1	.39	18.2
NHD Stores ..... M	5.50	.25	4.8	5.50	5.25	9.25	3.75	84	.62	.58	6.9	10.2	.00	.0	.....	3 mos.	04-88	9.8	11.4	- .1	NC	- .06	- 100.0	9.8	11.4	- .1	NC	- .06	- 100.0
Nall Lumber ..... M	3.13	.00	.0	3.25	3.00	5.50	2.50	151	.27	.16	68.8	NE	.00	.0	.....	*	04-88	NC	NC	NC	NC	NC	NC	38.1	NC	.1	NC	.01	NC
Payless Cash ..... N	26.75	.00	.0	27.00	26.63	27.50	9.63	19,468	5.78	8.99	- 35.7	32.2	.16	.6	.....	6 mos.	05-88	537.9	10.0	17.2	6.2	.51	8.5	895.6	9.1	19.8	.5	.59	3.5
Scotty's Inc ..... N	13.13	.38	2.9	13.63	12.63	15.25	10.00	1,354	.93	.30	210.0	16.6	.52	4.0	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck ..... N	36.25	.38	1.0	37.00	35.13	59.50	26.00	48,081	1.27	1.51	- 15.9	9.0	2.00	5.5	NEW	6 mos.	06-88	12982.1	10.8	369.4	- 5.4	.98	- 4.9	25140.0	13.3	548.9	- 19.1	1.45	- 18.5
Std Brd Prt ..... N	13.38	- 1.13	- 7.8	14.75	13.25	31.88	10.63	2,225	4.23	2.43	74.1	NE	.00	.0	.....	3 mos.	04-88	73.8	- 6.5	1.1	- 74.4	.13	- 75.0	73.8	- 6.5	1.1	- 74.4	.13	- 75.0
Strober Organiz ..... M	10.25	- .50	- 4.7	11.00	10.00	13.00	6.25	345	.57	.32	78.1	13.5	.00	.0	.....	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos ..... N	9.75	- .13	- 1.3	10.00	9.33	21.88	7.25	7,153	1.50	1.51	- .7	NE	.00	.0	.....	3 mos.	04-88	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0	928.1	- 39.7	- 2.6	- 100.0	.17	- 90.0
Wolohan Lumber ..... M	15.75	- .50	- 3.1	16.50	15.50	18.75	8.75	1,251	2.14	1.34	59.7	9.2	.24	1.5	NEW	6 mos.	06-88	76.6	18.8	3.8	46.2	.65	51.2	118.9	12.6	4.6	27.8	.79	29.5
Zayre Corp ..... N	22.00	1.88	9.3	23.00	20.00	37.00	13.50	74,901	13.21	3.78	249.5	12.1	.40	1.8	.....	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply ..... N	17.25	- .50	- 2.8	17.75	17.13	20.19	13.19	439	.88	.42	109.5	9.1	.32	1.9	.....	3 mos.	04-88	116.5	21.6	2.1	5.0	.43	10.3	116.5	21.6	2.1	5.0	.43	10.3
Moore Handley ..... M	4.25	- .50	- 10.5	4.50	4.00	9.00	3.75	51	.21	.21	.0	NE	.00	.0	NEW	6 mos.	06-88	27.6	17.9	.1	- 75.0	.04	- 71.4	53.4	13.6	.0	- 100.0	.02	- 92.9
Lewis Palmer ..... M	11.00	.50	4.8	11.00	10.50	11.50	5.75	30	.08	2.32	- 96.6	25.6	.28	2.5	.....	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods ..... M	10.88	- 1.00	- 8.4	12.50	10.75	12.50	6.31	98	.37	1.38	- 73.2	15.1	.00	.0	NEW	6 mos.	06-88	18.6	77.1	.5	25.0	.18	12.5	36.1	83.2	.9	28.6	.35	29.6
Am Woodmark ..... M	9.50	1.00	11.8	9.63	9.00	13.88	5.91	1,034	1.37	.39	251.3	13.6	.00a	.0	.....	fiscal	04-88	33.5	14.3	.9	- 40.0	.12	- 40.0	129.5	11.8	5.3	- 22.1	.70	- 23.9
Armstrng Wrld ..... N	37.50	1.13	3.1	38.63	35.75	47.38	22.50	15,451	3.35	1.53	119.0	10.8	1.00	2.7	NEW	6 mos.	06-88	671.1	12.5	46.2	12.4	1.00	14.9	1300.6	14.3	85.2	16.7	1.84	19.5
Black & Decker ..... N	22.00	.00	.0	22.25	21.25	26.50	13.00	15,445	2.62	1.98	32.3	14.6	.40	1.8	NEW	9 mos.	06-88	538.9	15.9	21.7	141.1	.36	140.0	1689.0	17.9	74.0	82.3	1.25	81.2
Boise Cascade ..... N	44.38	.75	1.7	45.75	42.50	51.16	28.81	13,356	2.96	1.20	146.7	8.4	1.20	2.7	.....	6 mos.	06-88	1007.2	7.6	72.3	105.4	1.59	130.4	2023.5	9.5	140.8	86.7	3.06	106.8
Catalina Lgtg ..... A	7.50	.00	.0	7.75	6.88	7.88	3.00	935	3.02	4.35	- 30.6	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Champ Intl ..... N	34.63	1.25	3.7	35.13	32.75	44.63	21.75	25,659	2.69	1.48	81.8	8.5	1.00	2.9	.....	6 mos.	06-88	1262.3	8.7	112.2	- 27.9	1.18	- 28.0	2528.4	12.0	214.2	1.4	2.25	.9
Clairson Intl ..... M	4.88	- .13	- 2.5	4.88	4.75	10.75	4.50	249	.49	1.07	- 54.2	NE	.00	.0	.....	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus ..... N	54.25	.13	.2	55.75	53.75	74.50	39.00	11,666	2.32	1.16	100.0	14.2	1.80	3.3	NEW	6 mos.	06-88	1049.2	17.2	60.4	33.0	1.18	- 29.7	1974.7	16.5	92.6	26.8	1.82	23.8
DeSoto Inc ..... N	34.13	- 2.00	- 5.5	35.88	34.00	42.00	21.00	1,111	2.78	2.24	24.1	18.2	1.40	4.1	.....	6 mos.	06-88	122.0	2.8	4.1	- 39.7	1.04	- 39.9	219.5	5.0	5.9	- 34.4	1.48	- 34.8
Emhart Corp ..... N	21.13	- .13	- .6	22.38	20.88	26.63	15.50	11,982	1.94	.82	136.6	11.4	.80	3.8	NEW	6 mos.	06-88	701.3	11.5	33.6	16.7	.54	17.4	1395.8	13.3	66.2	16.5	1.07	17.6
Georgia Pacific ..... N	38.63	1.25	3.3	39.13	36.00	48.38	22.75	22,680	2.17	1.00	117.0	8.8	1.20	3.1	.....	6 mos.	06-88	2418.0	15.4	118.0	- 20.3	1.20	- 11.1	4533.0	14.8	224.0	- 1.8	2.22	7.8
Insilco Corp ..... N	29.00	8.50	41.5	29.50	19.75	29.50	14.00	69,067	33.09	3.33	893.7	NE	1.00	3.4	NEW	6 mos.	06-88	196.4	13.6	11.7	10.4	.55	10.0	382.6	9.8	21.7	17.9	1.02	17.2
La Pacific ..... N	32.75	- 1.00	- 3.0	34.00	32.38	39.75	21.50	11,068	2.89	1.67	73.1	7.9	.92	2.8	.....	6 mos.	06-88	405.2	- 17.1	39.2	12.6	1.02	12.1	888.2	- 2.6	85.7	67.7	2.23	66.4
Macmillan Bloedel ..... M	15.63	- .13	- .8	15.75	15.50	23.50	12.00	7,192	.70	.48	45.8	NA	1.05	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp ..... N	2.00	.13	6.7	2.00	1.88	4.00	1.75	3,472	1.45	.80	81.3	.4	.00	.0	NEW	6 mos.	06-88	561.0	8.3	33.1	- 19.5	1.12	- 23.3	1063.2	7.1	66.8	- 18.1	2.35	- 21.1
Masco Corp ..... N	27.38	.25	.9	28.50	26.38	39.25	18.75	19,544	1.47	.94	56.4	14.2	.48	1.8	NEW	6 mos.	06-88	659.0	34.8	85.5	29.9	.60	20.0	1215.0	29.4	165.1	36.1	1.20	30.4
Mor-Flo Inds ..... M	4.88	- 1.38	- 22.0	5.00	4.50	11.75	4.50	145	.58	.40	45.0	NE	.01	.2	.....	3 mos.	03-88	55.4	- .2	- .4	- 100.0	- .18	- 100.0	55.4	- .2	- .4	- 100.0	- .18	- 100.0
Newell Co ..... N	45.50	- .25	- .5	46.00	42.25	46.75	21.13	2,509	2.17	.93	133.3	15.8	1.20	2.6	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc ..... N	8.00	.38	4.9	8.25	7.50	14.38	5.00	2,371	1.56	1.00	56.0	NE	.10	1.3	NEW	6 mos.	06-88	368.7	10.7	9.4	370.0	.64	392.3	706.0	13.2	11.5	2.7	.78	11.4
Owens Corn ..... N	25.25	3.50	16.1	26.50	21.50	26.88	9.00	17,806	4.45	1.42	213.4	4.8	.00	.0	.....	6 mos.	06-88	735.0	NC	52.0	NC	1.27	NC	1357.0	NC	80.0	NC	1.93	NC
Ply-Gem ..... A	14.88	.75	5.3	15.25	14.13	17.75	9.00	4,226	3.93	1.00	293.0	16.3	.12	.8	NEW	6 mos.	06-88	106.1	29.2	6.3	65.8	.56	75.0	195.5	28.0	9.7	36.6	.86	41.0
Pope & Talbot ..... N	18.38	- 1.13	- 5.8	19.38	18.38	27.25	9.75	1,556	1.33	1.00	30.0	7.6	.50	2.7	.....	6 mos.	06-88	122.0	14.8	6.8	- 5.6	.57	- 5.0	237.7	15.1	14.8	- 6.5	1.24	7.6
Potlatch Cp ..... N	32.75	1.50	4.8	33.38	30.88	39.25	21.00	3,928	1.46	.78	87.2	9.3	.92	2.8	.....	6 mos.	05-88	265.8	9.4	24.5	9.9	.88	10.0	525.0	6.6	51.0	27.2	1.83	28.0
PPG Inds ..... N	44.00	.50	1.1	45.38	42.88	50.38	27.50	14,460	1.31	.89	47.2	11.3	1.41	3.2	NEW	6 mos.	06-88	1450.5	8.8	133.8	30.7	1.22	43.5	2823.9	8.8	252.4	33.3	2.29	44.9
Rep Gypsum ..... N	6.00	.25	4.3	6.13	5.63	8.63	4.63	553	.55	.27	103.7	28.6	.36	6.0	.....	9 mos.	03-88	11.9	- 5.6	.1	- 80.0	.01	- 83.3	39.3	- 9.0	1.3	- 61.8	.13	- 60.6
Sherwin-Wms ..... N	29.63	2.50	9.2	30.50	26.75	36.13	20.13	13,111	3.00	.93	222.6	12.9	.64	2.2	NEW	6 mos.	06-88	542.0	10.3	36.2	17.5	.82	18.8	954.0	9.4	44.6	13.8	1.01	17.4
Stanley Works ..... N	27.25	1.25	4.8	27.25	25.50	36.63	21.25	5,350	1.25	.55	127.3	12.4	.88	3.2	NEW	6 mos.	06-88	486.5	12.2	26.1	19.7	.61	22.0	952.8	12.1	47.4	20.0	1.10	20.9
Thos Inds ..... N	22.00	- .25	- 1.1	22.50	21.50	24.50	13.81	608	.58	.62	- 6.5	12.6	.68b	3.1	NEW	6 mos.	06-88	90.9	13.2	4.7	- 2.1	.44	- 2.2	173.0	8.8	9.7	12.8	.92	13.6
Union Camp ..... N	35.63	1.63	4.8	35.75	33.50	47.63	26.00	18,313	2.55	1.07	138.3	9.9	1.24	3.5	NEW	6 mos.	06-88	680.1	14.3	73.9	54.6	1.07	64.6	1305.5	17.1	141.6	53.9	2.02	61.6
USG ..... N	7.63	.75	10.9	7.75	6.88	7.75	6.75	62,105	12.03	NC	NC	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Waxman Inc ..... M	1.88	.75	6.7	11.88	11.00	12.25	4.84	2,769	4.53	4.12	10.0	13.5	.09	.8	.....	9 mos.	03-88	38.6	24.5	1.9	111.1	.45	350.0	111.5	31.6	4.7	88.0	.75	177.8
Weyerhaeuser ..... N	25.38	.25	1.0	25.88	24.38	38.34	12.69	37,497	1.84	1.05	75.2	10.4	1.20	4.7	NEW	6 mos.	06-88	2094.6	18.4	150.6	68.8	.89	111.9	3952.1	18.6	284.6	38.6	1.25	35.9

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Dealers focus on drought conditions at L&G Expo

(Continued from page 1)
a gone fishing sign up," said Dave Burke.

The weather may have affected show attendance, which was about the same as in 1987, according to show spokeswoman Polly Moter. Figures indicate 22,349 people attended, up slightly from last year's 22,290.

There were a few less retailers at this year's show, according to Warner Frazier, chairman of the Expo 88 management committee and president and ceo of Simplicity Manufacturing, the Port Washington, Wis., supplier. That deficit was made up by an increase in international attendance.

There were 1,000 international visitors from 60 nations. Several buyers from overseas were in Louisville looking at new lines and the currently weak dollar had an influence on the international guests since they now have more buying power, Frazier said.

An encapsulation of what has gone on in lawn and garden sales so far this year was delivered to show attendees by Ray Daniel, senior vp and economist with the Wharton Econometric Forecasting Associates (WEFA), Bala Cynwyd, Pa.

Daniel noted that walk behind mower shipments were down 5 percent through May, but shipments of riding mowers were up 9 percent and rotary tillers were up 7 percent.

However, while the drought was expected to reduce shipments from June to September by 10 percent to 25 percent, over 90 percent of all shipments were already completed by May, just before the drought struck, Daniel said.

Therefore, retailers at the show said they have built up inventories of unsold merchandise and manufacturers do not expect to feel the impact until next year, since retailers will still be trying to sell this year's products.

At least one manufacturer, Snapper Power Equipment of McDonough, Ga., is putting "extraordinary inventory financing plans" into effect to help dealers who still have products they normally would have sold weeks ago, according to Don B. Weakley, senior vp-corporate development. Consumers can look forward to special promotions in the future to push these products out, he said.

Daniel suggested there may be a silver lining to the drought. It will cause people to pay more attention to their lawns when the drought ends, he said.

But this was rejected by Donald Theis of Theis Lawn Service of Cincinnati, which lost 80 percent of his business because of the drought. "I'm all residential lawns. When they don't grow, I don't cut. If I don't cut, I don't make any money," said Theis, who added that homeowners might just as likely be discouraged after the drought ends and not put any future money into their lawns.

With so many questions about how severely the drought would affect inventory levels in the coming months, it appeared that suppliers were being cautious about the deals they could offer retailers.

"I was very upset not many manufacturers had fixed pricing programs to present to us," said Richard Dodd, lawn and garden buyer for Scotty's, the 147-unit home center chain in Winter Haven, Fla. "It seems like everyone was waiting to see what the other companies were going to do."

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Vol. 14, No. 17 August 22, 1988

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Sequoia plans to merge with Grip-Rite

(Continued from page 1)
ployees—750 from Sequoia Supply and 250 from Grip-Rite.

Hylbert said it would be "premature" to discuss what a new company created by the merger of Sequoia Supply and Grip-Rite would be called. "We have made no decisions," he said. He added that "in the short term" he expects no changes in headquarters locations or management.

Hylbert said Grip-Rite would "fit in well with us, geographically, and the product synergies are significant."

Grip-Rite companies operate as Miller Supply, White Plains, N.Y.; Metropolitan Wholesale Supply, Chicago; Mid-American Distributing, Minneapolis; Guardian Purchasing, Hartsdale, N.Y.; Pan American Building Materials, Philadelphia; and Grip-Rite Ltd., a Hong Kong-based trading company.

Grip-Rite's distribution centers are in Northeastern, Atlantic, South Western and Midwestern states, while Sequoia Supply centers are concentrated in the West, South and Midwest. Both have facilities in Chicago and Dallas.

Sequoia Supply was founded in 1948 and bought by Wickes Cos. in 1975 from Evans Products. It was spun off from Wickes in March 1987 in a management-led leveraged buyout.

Arnold L. and Marvin Miller founded Miller Supply in 1956 and subsequently acquired ownership stakes in several other companies. By the mid-1960s, they were using the umbrella name "Grip-Rite." The companies have local management and ownership.

More than 50 percent of Grip-Rite's products are nails and fasteners and the remaining percentage is building materials including roofing and ceiling tile. Sequoia Supply concentrates on heavy sheet goods and commodity products such as paneling, lumber and other building materials.

Eighty percent of Sequoia Supply customers are retailers including home centers, independent lumber dealers and hardware stores, as well as industrial accounts.

"Grip-Rite is selling to Channel, to Wickes Lumber, to Lowe's, to independents—the same kind of people who are important to our business," Hylbert said.

Hylbert said the possibility of a merger was developed after conversations with Miller "and his key people" began more than a year ago.

Hylbert said Grip-Rite provides Sequoia Supply with an opportunity for "cross-fertilization." He explained, "Basically, a Sequoia location may have the capacity to do more business. Now it will have metal products to sell in the geographic area where Grip-Rite is not now selling."

Hylbert estimated a typical Sequoia Supply distribution center as having about 1,000 stockkeeping units. Miller said Grip-Rite has "thousands" of skus. Hylbert said the merger would make the combined company more profitable. "We can get to more customers with more products more often."

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National
Home Center News

Vol. 14, No. 18 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Sept. 5, 1988

Wickes Cos. at a Glance

1987 Sales:	**$3,476,861,000**
Automotives & Industrial Products:	$1.7 billion
Home Improvement & Home Furnishings:	$1.1 billion*
Wallcoverings & Decorative Fabrics:	$644 million
1987 Operating Income:	**$41,577,000**
Automotive & Industrial Products:	$147 million
Home Improvement & Home Furnishings:	$57 million
Wallcoverings & Decorative Fabrics:	$83 million
1987 Net Income:	**$180,511,000**
1987 Long-term Debt:	**$1,408,548,000**
1987 Short-term Debt:	**$631,999,000**
Common Stock Outstanding:	**49.8 million shares (current)**

*Includes 123 Builders Emporiums and 29 Orchard Supply Hardwares.
Source: Wickes Cos. 1987 annual report *NHCN* chart

Hechinger purchases 47 Bradlees units for $118M

Plans to sell sites in overlapping markets

By Milford Prewitt

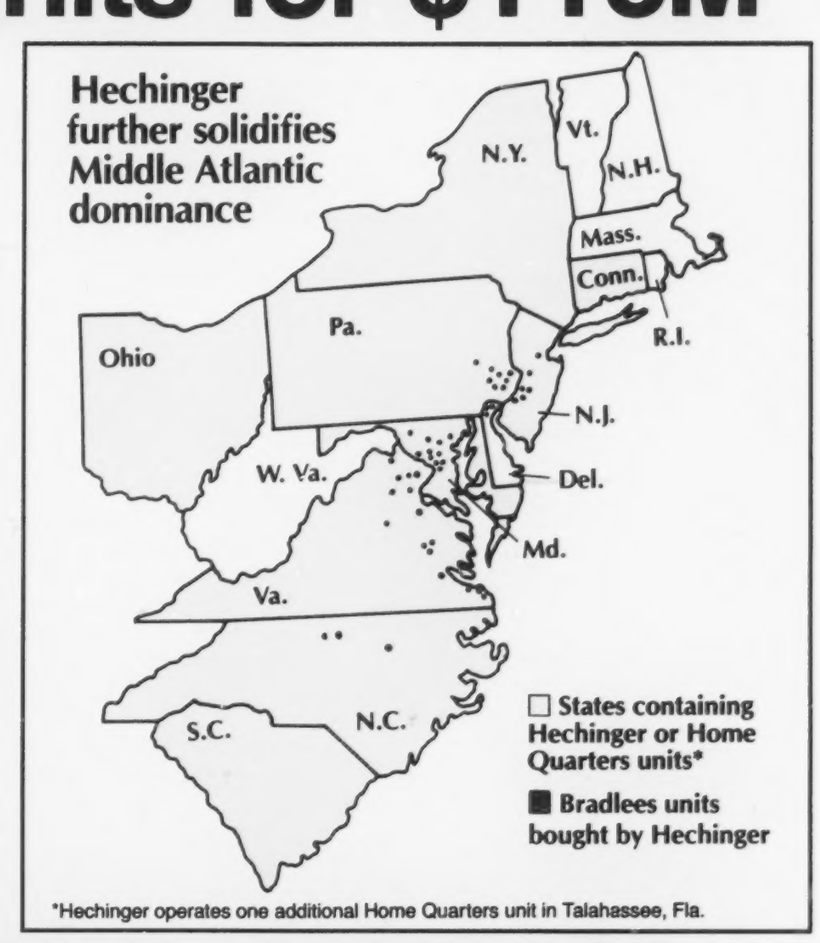
LANDOVER, Md. — Hechinger Co. has purchased the leases of 47 Bradlees Discount Department Stores for $118 million in a move that seems certain to enhance the company's competitiveness in the Northeast and Middle Atlantic states.

The company signed a definitive agreement Aug. 16 to purchase the locations from Bradlees' corporate parent, the Stop & Shop Companies, Boston, which has been attempting to sell 58 of its 168 Bradlees stores since May in an effort to reduce its $1.23 billion debt load from a leveraged buyout.

Stop & Shop's management bought the company when retail corporate raiders, the Dart Group Corp, attempted an unfriendly takeover.

Of the 47 locations involved in the deal, 44 are within the fertile Washing-

(Continued on page 99)



*Hechinger operates one additional Home Quarters unit in Talahassee, Fla.

Sigoloff makes bid to take Wickes private in buyout

By Brad Altman

LOS ANGELES — Employees of the Builders Emporium and Orchard Supply Hardware divisions of Wickes Cos. were stunned by chairman Sanford C. Sigoloff's bombshell disclosure that he and other top Wickes executives intend to take the company private in a leveraged buyout bid valued at $573.8 million.

In the wake of the buyout proposal, BE and OSH staffers were left uncertain about the Sigoloff group's plans for the home center chains in light of its game plan for reducing the anticipated debt load connected with the takeover, which could increase Wickes' long-term indebtedness to more than $2.6 billion.

"Sandy Sigoloff doesn't have a love affair with any business," commented one shareholder. This past April, Wickes sold its Wickes Lumber division to its management in a $320 million deal.

Sigoloff and an undisclosed number of Wickes executives are joining with institutional investors and Wickes' financial adviser Drexel Burnham Lambert in the buyout bid.

Sigoloff's group, known as W-II Holdings, made a tender offer of $12 a share—or about $480 million—for 83 percent of Wickes' 49.8 million shares outstanding. The remaining stock would be converted into preferred stock also worth $12 per share.

The tender offer extends 60 days to Oct. 20, which is twice the typical length for such an

(Continued on page 100)

Sears taking look at branded merchandise in selected stores

By John Caulfield

CHICAGO — Branded merchandise may slowly find its way into the product mix in the home improvement departments in Sears' stores. And the nation's largest retailer is currently working with at least one wholesaler group and a major supplier to bring branded goods into its Paint and Hardware units.

The company has no intention of abandoning its own private label brands or bringing in national brands *en masse*, as any merchandising policy changes are still in the rudimentary stage. But it appears that Sears is making a major reassessment of its product assortments and where its own strengths and weaknesses lie in the market.

NHCN has learned that a number of the 15 hardware wholesalers belonging to the Sentry Hardware marketing group have begun to supply newer Sears P&H stores with name brand merchandise in selected product categories.

Ron Pink, the managing director of the Des Plaines, Ill.-based Sentry, would only con-

(Continued on page 100)

Payless after LBO to target the professional customer

Consulting group moves company toward increased project selling

By an NHCN staff editor

KANSAS CITY, Mo. — The new Payless Cashways will direct its marketing and merchandising over the next 12 months more towards the cash and carry tradesman.

For years, Payless units in the Midwest and Southwest thought they were primarily serving DIYers. But according to sources within the company, much of these stores' business was coming from contractors, remodelers and skilled people who do this work as a second job.

"We're shifting some focus to the professional customer," said Brenda Nolte, a Payless spokesperson. "We see professional as the same as tradesmen." She added that the company has yet to decide whether the new emphasis will include a financing component so important in contractor sales.

The new direction, which would return Payless to its roots, is coming from an outside source. With a number of significant management lay-

(Continued on page 99)

Details emerge as Payless/Masco distribution deal takes shape

By Gary S. Ruderman

NATIONAL REPORT — A preferred supplier pact between one of the industry's largest vendors and Payless Cashways has some dealers and suppliers edgy.

Masco Capital Corp., a division of Masco Corp., will provide a total of $208.9 million to Payless to help finance the company's $909 million leveraged buyout. In exchange, Payless' management, under the auspices of PCI Acquisitions Corp., signed a preferred supplier agreement to favor Masco-affiliated companies through 1995.

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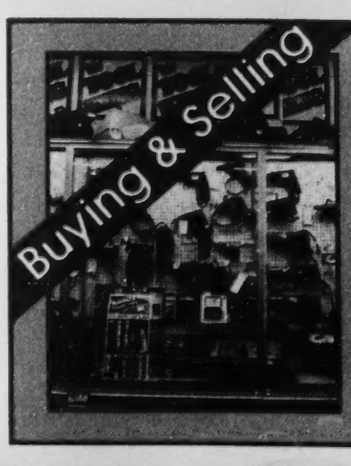
Seabees may be ultimate DIYers 27



Cordless power tools aren't draining corded sales—yet 47
Tool makers pay more attention to women 47

NEWSBREAKS

CHANNEL TO OPEN 15 UNITS IN 1989: The 170-unit Whippany, N.J.-based retailer is negotiating for new sites in Alabama, New Hampshire, Texas, New York, New Jersey and Pennsylvania. Channel is also negotiating a lease for a commodities warehouse in northern New Jersey, is scheduled to open its 400,000-square-foot distribution center in Aberdeen, Md., in January and expects to expand its corporate headquarters next year as well as four or five existing units.

Scotty's president and chairman quit as GB-Inno ups stake in chain

By an NHCN staff editor

WINTER HAVEN, Fla.—In a surprising move, Scotty's chairman and president resigned on Aug. 26, one day after Belgian corporation GB-Inno-BM increased its holdings in the industry's 13th largest retailer to 42.7 percent from 29.3 percent.

Jim Sweet, Scotty's chairman, whose father founded the company in 1924, retired after 41 years of service. In leaving, Sweet and his family tendered their entire holdings in the company—1,895,331 shares of Scotty's common stock—to GIB Group, the name under which GB-Inno operates internationally. Scotty's stock on Aug. 25 closed on the New York Stock Exchange $12.75 per share.

The acquisition of these shares brings GB-Inno's total holdings to 6,172,414 common shares.

Dennis Stults, Scotty's president and an employee of the 156-unit chain for 27 years, resigned on the same day. Stults was unavailable for comment—as were all of Scotty's executives NHCN attempted to contact—but a prepared statement said he left "to pursue other intersts."

Sweet couldn't be reached for comment, but said in a prepared statement that he had wanted to retire for some time.

Ray Cooney, Scotty's former vice chairman and a board member, told NHCN that GB-Inno's decision to play a more active role in Scotty's operations was a "catalyst" behind the Sweet family's decision to divest its entire holdings in the company.

Taking a more active role

While GB-Inno said it had "no current intention" to acquire the rest of Scotty's stock, the boosting of its holdings signaled its intention to play a much greater role in Scotty's operations.

To that end, Diego du Monceau, the managing director of GIB Group was elected to Scotty's board of directors. And, in a surprising twist, Ron Rashkow, the chairman of Handy Andy Home Improvement Centers in Schaumburg, Ill., was also elected to Scotty's board. Handy Andy is 65 percent owned by GB-Inno.

P. Scott Linder, chairman of Linder Industrial Machinery Co. in Lakeland, Fla., and a long-time Scotty's director, replaced Sweet as chairman. Linder said that Scotty's board has established a new Strategic Planning Committee, to be headed by Rashkow, to provide "policy and supervisory responsibility to the management team."

Linder added that the board is "actively considering several candidates" to replace Stults and Scotty's "executive vp-merchandising." Kevin Fitzgerald currently serves as the chain's executive vp-purchasing and distribution. It could not be confirmed at press time whether he has left the company.

Cooney confirmed that the board would be looking outside the company for a new chief executive. He added that Rashkow's role would be strictly supervisory as Scotty's puts together a new management group and, possibly, maps out a new strategic direction.

Sweet and Stults together 20 years

The sale of the Sweet family's shares by GB-Inno was contingent upon the chain adopting an amendment to its bylaws rendering inapplicable a Florida state law that restricts corporate takeovers, and amendment approved by Scotty's board. Without this amendment, the shares couldn't be voted by GIB Group without approval of restoration of voting rights by the company's stockholders.

It couldn't be determined immediately if Sweet and Stults were forced out after GB-Inno upped its stake in the company, which has been public since 1968, and in which GB-Inno has held a stake since 1979.

Sweet noted Stults' decision to leave the company upon Sweet's retirement was expected, as they both shared the same basic philosophy for the operation and expansion of the chain, and have worked together for two decades.

Stults, who has been an officer for the company for 13 years and its president for the past three years, was credited by Sweet as having developed Scotty's advertising department into one of the largest in Florida. He also intitiated Scotty's Commerical Sales division, which accounted for 12 percent of Scotty's revenues, which totaled $550.83 million for the fiscal year ended June 27.

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Eclipse's store count dwindles down to two in Missouri area

By Tom Bagsarian

ST. LOUIS — And then there were two.

Eclipse Industries will be left with two of its five remaining Missouri home centers in the near future, according to U.S. Bankruptcy Court documents which were filed here on Aug. 15.

The financially ailing company has shut down its Cave Springs store and will close its Florissant and Crestwood stores in the near future. By Sept. 14, Eclipse's two remaining B&B Home Centers will be located in St. Ann and Arnold, Mo.

The latest development is seen by Eclipse president Steve Feinstein as "a positive move." The three closings will leave Eclipse with "two large superstores" each with 50,000 square feet and outdoor selling areas of 27,000 square feet, Feinstein said.

"The two remaining home centers will be doing more justice to our specialty departments," Feinstein said. This will include "massive displays" of kitchens, baths and other lines in the stores, he added.

Vince Voglar, attorney for the creditors committee, which was formed in July to supervise Eclipse as it attempts to regain its place in the home center market and battle out of Chapter 11, said vendors supplying Eclipse agreed with the decision to close the three stores and keep the two flagships operating.

Voglar and Eclipse attorney Stuart Radloff agreed vendors will continue to supply B&B for at least the near future. The vendors wanted to cut back to two large stores "to reduce what might be considered by some an overextension," Radloff said.

(Continued on page 102)

Fire ravages lumberyard's headquarters

By an NHCN staff editor

MEDFORD, N.Y. — Fire destroyed the home center operation and an adjacent warehouse at General Building Products' (GBP) headquarters complex.

The blaze caused an estimated $3 million to $5 million in damages Friday, Aug. 19, but missed the company's sprawling executive offices (which are in a separate building), data processing center, wholesale lumber inventory and the plants where the company assembles prehung doors, windows and kitchen cabinets.

Bruce Meltzer, president of GBP, said fire investigators called the blaze "suspicious." He said it started in a warehouse and consumed the home center building.

"They can call it suspicious," Meltzer said. "That's between the fire department and the insurance investigators.

"All I'm interested in right now is getting the home center rebuilt."

Despite the inconvenience the fire caused, the company was able to ship and supply orders by 8 a.m. on Monday.

Meltzer said he was in Atlantic City, N.J., entertaining the executives of Dee Wood Industries, the three-yard southern New Jersey chain GBP bought last month (*NHCN*, July 25), when he was called at 1 a.m. Saturday and told the retail headquarters was ablaze.

Contrary to some local press reports, Meltzer said the fire has not put the company out of business. He said the company is in good shape and intends to operate from the remaining Medford facilities to service the company's other yards.

Meltzer said new personnel has been added to the company's units in Bethpage and Hicksville, N.Y., to handle the expected increase in traffic from Medford customers.

Meltzer praised the company's employees and vendors for working through the weekend to prepare for Monday business.

"I've been in sports and in the Army and all that, but as an employer, the kind of team work I saw displayed this weekend really made me proud," Meltzer said.

He said he hopes to replace the home center at the same site with a new structure whose grand opening is already envisioned for Christmas. "This fire can only slow us down," Meltzer said. "It's not going to stop us."

Diamond shuffles senior management

By an NHCN staff editor

DALLAS — Bouncing back from its reorganization out of bankruptcy, Diamond Lumber has shuffled some members among its senior executive ranks to spearhead its penetration into the professional remodeler and contractor markets.

The company has hired James L. Collins as a senior vp and general merchandise manager. He will be responsible for all purchasing, marketing and advertising functions. He joined Diamond after a career at Moore's, the Grossman's subsidiary, where he was involved in developing and activating of a marketing strategy for the remodeling market.

A company-issued biography said Collins has 20 years' experience in the industry in several senior positions.

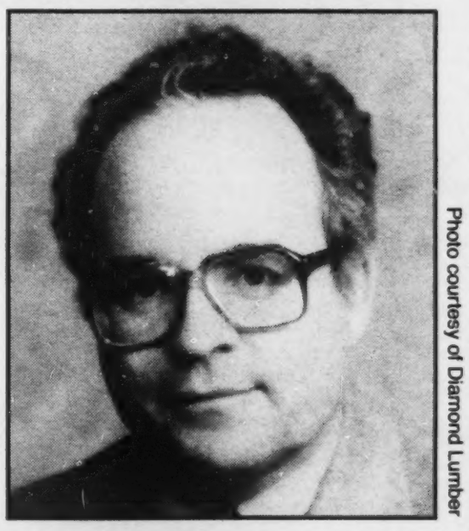

Photo courtesy of Diamond Lumber

Wayne Nalls, vp-marketing, Diamond Lumber.

Tom Hardy, Diamond's vp-purchasing, will be reporting to Collins. Hardy, who has a long background in millwork, lumber and building materials, joined Diamond after a career as a senior merchandise manager for P.F. O'Connor, the Braintree, Mass.-based retailer. He has also worked for Lloyd Home & Building Centers in Danbury, Conn.

James T. Schaffer, executive vp, said Wayne Nalls, formerly the company's vp-advertising, will be promoted to vp-marketing in a support role to Collins and Hardy. In his new position, Nalls will be responsible for all marketing, advertising and sales promotion programs.

Schaffer explained that the executive changes reflect the company's resolve to identify and capture the professional remodeler and contractor dollar. He said the company is becoming stronger since the reorganization and has marked three consecutive months of improving sales performance.

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Vendors feel put upon with growing demands by dealers

By Edward McKinley

NATIONAL REPORT — Home centers' demands for lower wholesale prices drove all but one manufacturer from the metal shed kit business.

Demands for more ad dollars have left some vendors suspecting that retailers simply pocket some of their money.

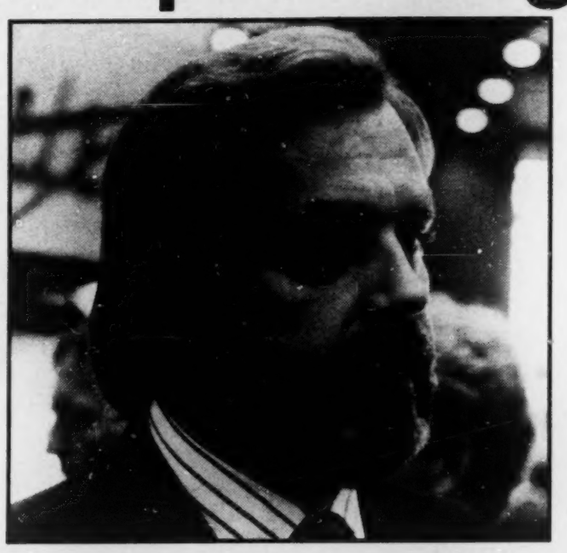
And demands for buybacks, free employee training and frequent servicing of displays are making vendors wonder where dealer pressures are going to end.

The escalating competitiveness among dealers has weighed heavily on suppliers, who are often asked to provide inventory management, employee training and store maintenance, while at the same time providing the lowest price and fastest delivery.

Many vendors and dealers noted that this constant hammering is eroding industry relationships, and have called for stronger "partnerships" to unite the two groups.

But dealers' competitive clamoring and suppliers' bitter complaints tend to drown out all this talk of partnerships.

"Things are being asked for," said Bruce Berg, vp-merchandising for The Home Depot, the Atlanta chain known for long-term relationships with vendors, but often cited for making stringent demands. "More dollars are at stake and fewer players are going after them."



Bruce Berg, vp-merchandising for The Home Depot, acknowledged that more demands are being made on vendors because of tighter competition. NHCN photo

"As the chains get bigger, if you make a mistake, you've lost your job," said Robert Connell, sales and marketing vp for Anaheim, Calif.-based Fluidmaster. "The pressure on those guys is greater than ever before, and they are passing as much as they can on to the manufacturer."

Suppliers grudgingly accept such hammering these days because they cannot afford to lose business.

Ad dollar demands rise

"The industry used to be an 'old boy' network and price and program weren't the factors they are today," said Connell. "If you're not selling the top 15 dealers [now], your market share drops appreciably," said Connell.

According to vendors contacted for this story, insatiable appetites for promotional dollars have emerged as the "new frontier" for dealer demands.

"My ad budget today is more in my customers' control than my own," said Ralph Pepper, building products division president for Leslie-Locke, Atlanta.

Allen Bauer, a national sales manager for Anaheim Mfg. Co., the California-based makers of waste disposers, said retailers are demanding "one hundred percent paid co-op under their cost calculations, which aren't always right."

Where that money is going isn't always apparent to vendors. "A $1 million account, will demand $100,000, $300,000 in promotional money, but with a lot of dealers, that money is dropping right to the bottom line," said another hardlines vendor who asked to remain anonymous. "They say they are using it for advertising, but I don't see enough evidence of it."

Pressures on price, supply

Pressure on vendors for promotional dollars has yet to supplant low price, though, as the No. 1 dealer demand, according to vendors. In some cases, this pressure has forced suppliers from the market, said John Hoy, director of marketing for Arrow Group Industries, Pompton Plains, N.J., makers of kits for metal storage buildings.

"They would hammer us on price, use us as a loss leader and complain that there was no margin in the industry," Hoy said.

He said the market for metal storage buildings in kits supported eight manufacturers 12 years ago, with his company virtually the only surviving major national manufacturer in the category.

(Continued on page 102)

Britain's Wickes expands reach with purchase of lumber importer

By an NHCN staff editor

LONDON — Wickes plc has purchased Hunter Group plc, whose companies are among the largest timber and plywood importers and distributors in Great Britain.

Four of Hunter's companies are involved in this deal, all involved in timber importing, distribution or retailing: Christie & Vesey, May & Hassell, Mallinson-Denny and Yeovil Timber.

In total, Hunter operates 180 retail outlets, of which around 160 are stores in the Mallinson-Denny sector run under the name Malden Timber. These stores are mostly in Scotland, Northwest England, the West Midlands and to the South in Wales and Plymouth. Wickes' 43 stores in England are principally in Yorkshire, East Midland and Southeast England.

According to Wickes' managing director Henry Sweetbaum, Hunter Group is the largest purchaser of timber, plywood and hardwood in England, as well as the largest buyer of Russian softwood.

Hunter was one of three groups—the others being Mayer International and Harrison & Crossfield—that have come to dominate lumber and plywood importing in Great Britain over the past several years. The timber-related businesses Hunter owns were all acquisitions made under the auspices of Hunter Plywood between 1985 and 1988.

Hunter's retail outlets are heavily contractor oriented, getting about 70 percent of their volume from contractors and tradesmen. Wickes stores get about the same percentage from DIYers.

"We can offer Hunter's stores a lot more in merchandising and marketing skills," said Sweetbaum in a telephone interview last month. "And Hunter's purchasing power and its ability to deal in the worldwide timber market offers us a broader range of product and the ability to buy at much lower prices."

This store in Reading, England, is one of 43 operated by Wickes, which has bought the Hunter Group, one of Britain's largest importers and distributors of timber and plywood. Photo courtesy of Wickes

The locations of the retail outlets purchased also give Wickes penetration into certain areas of the British Isles. Sweetbaum said it was feasible that Wickes retail units could be built on an as-yet-undetermined number of Malden Timber sites, which are generally small stores with large outdoor storage areas.

> "Hunter's purchasing power . . . offers us a broader range of product and the ability to buy at much lower prices."
>
> —**Henry Sweetbaum,** *managing director, Wickes plc*

"Certainly the real estate element is a real factor in this deal," he said.

The transaction is for £287 million, or approximately $488 million. To pay for this Wickes will issue £192 million in new equity that will equal about 60 percent of the company's post-acquisition stock; £25 million will be from Wickes' cash reserves; and the balance will be new debt. S.G. Warburg, the investment broker, is underwriting the new stock issue and Barclay's and Continental Illinois are funding the debt.

Hunter's former parent, The Hillsdown Group, had owned about 73 percent of Hunter, which was a public company prior to its acquisition by Wickes. When the deal is consummated, Hillsdown will hold 20 percent of Wickes plc's stock.

Wickes expects to retire quickly about £52 million of the debt from this acquisition by disposing of the eight non-timber related businesses that Hunter also ran. Sweetbaum said Wickes has already been in contact with a number of interested buyers.

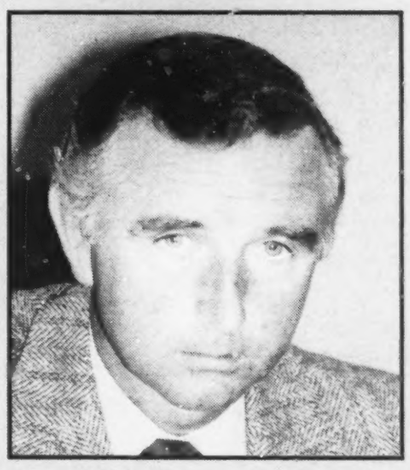
Wickes, which operates 74 stores in England and Europe, had sales last year of £178 million, and through the first six months of 1988 has seen revenues rise 30 percent to £101 million. Hunter's sales in 1987 were around £458 million, and its profitability, despite its involvement in the volatile lumber industry, has thrived, rising from £3.5 million in 1985 to £14.6 million last year and is estimated to hit £25 million in 1988.

Former Grace head named HomeClub ceo

By Brad Altman

FULLERTON, Calif. — Sean F. Lee is returning to the home center industry as president and ceo of HomeClub after a nearly two-year stint as head of Yellow Front, an Arizona-based general merchandise and discount store chain.

Lee is filling the slot vacated earlier this year when Herb Zarkin moved to Zayre Corp.'s headquarters in Framingham, Mass., to head its discount department store division.



Sean Lee returns to the home center industry as president and ceo of HomeClub. NHCN photo

A career Zayre executive, Zarkin took over the chief executive post at HomeClub in 1985 following Zayre's purchase of HomeClub and the departure of company co-founder Robert McNulty.

Lee, the former president of a Brea, Calif.-based W.R. Grace home center division, is well-known in the southern California DIY market.

In an interview with *NHCN*, Lee said he had no immediate plans to change staff, merchandise assortment or HomeClub's rapid expansion pace, which has seen the

(Continued on page 99)

Home magazine survey finds remodelers want total control over job

By an NHCN staff editor

NATIONAL REPORT — A nationwide survey conducted by a leading consumer home fashions magazine found that upscale homeowners are eager to remodel their homes and want to take an active role in the work from design to product selection.

Entitled "From Inspiration to Installation," the survey, conducted by *HOME* magazine, found that an overwhelming majority of upwardly mobile homeowners have finished or are contemplating major remodeling jobs. But the survey also uncovered some previously unexplored consumer attitudes concerning project frustration, brand identification, and sources for remodeling advice.

The survey was conducted by sending 2,000 *HOME* subscribers a four-page, 150-question survey in September 1987. From that, the magazine received an impressive 53 percent response rate.

From the survey, the magazine estimated that there are 30.2 million remodelers who are profiled by the following breakdown:

- 85 percent own their own homes;
- 67 percent are between 25-54 years old;
- 72 percent are married;
- 42 percent are college educated;

(Continued on page 8)

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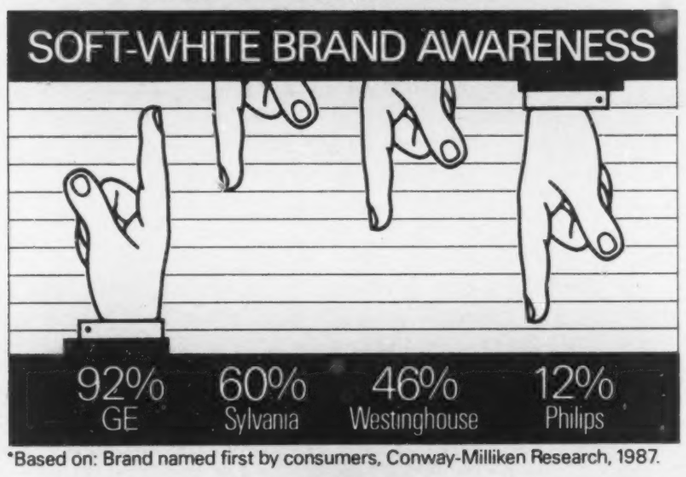

*Based on: Brand named first by consumers, Conway-Milliken Research, 1987.

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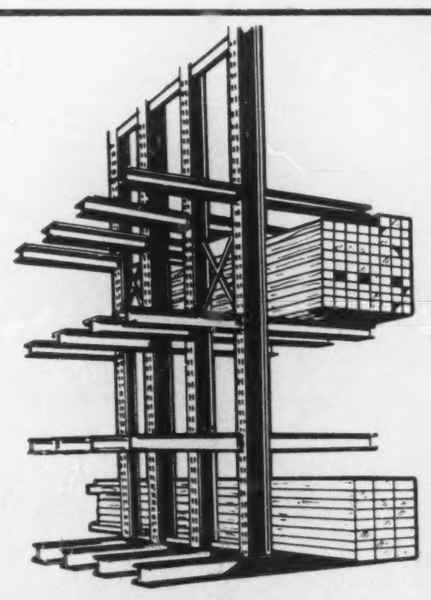

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Circle 4 on Reader Service Card

Survey finds homeowners want total control over remodeling

(Continued from page 6)

- 26 percent are in the professional/managerial/self-employed category; and
- 46 percent have household incomes above $40,000.

HOME's questionnaire revealed that three-quarters of the respondents had remodeled, one third were in the throes of remodeling at the time of the survey, and half indicated that they will initiate a remodeling project within the next 12 months.

Although the magazine did not describe the kinds of remodeling projects involved, the respondents indicated that they intended to spend more than 10 percent of their gross annual income on remodeling.

An overwhelming majority of *HOME's* respondents are avid remodelers to the extent that 77 percent indicated they would rather remodel than move to a new house, even if their needs changed.

While that response level might have much to do with a family's income, more than seven out of 10 said one remodeling project leads to another. But six in 10 noted they were willing to sacrifice personal interests in order to remodel.

In a separate category of questions, 89 percent of the respondents said they would like to attend exhibitions that display new home products to gather information about remodeling.

This response underscored that homeowners, whether they do the project themselves or not, are determined to be intimately involved in a project from its beginning to end.

Ninety-four percent agreed with the statement, "Even if I do none of the work myself, I want to be fully in charge of the product selection."

Eighty percent agreed with the suggestion that they needed information before starting a project and 61 percent indicated they needed financing information before starting.

With regard to the financial aspects of remodeling, slightly more than 15 percent considered money an impediment.

The survey uncovered several areas of "frustration" that makes some remodeling projects a tough one for homeowners. More than three out of five respondents said they were frustrated by the delays associated with remodeling. More than half did not have the time to do the project, and about the same number said they were saddled with cost overruns.

Forty-five percent could not agree on the right design idea, and 42 percent couldn't agree on the right product.

Despite those problems, only 12 percent said they would not attempt another remodeling job.

Contrary to some previously published manufacturers' polls, 60.4 percent of respondents to the *HOME* survey agreed with a statement that they remodel more for aesthetic change rather than necessity.

Home improvement "centers" and retail outlets ranked high as sources for advice and information about remodeling for the respondents. A *HOME* researcher familiar with the survey said a home improvement center is a home center but the writers of the questionnaire did not want to use the phrase "home center" for fear of biasing the respondents' replies.

But when asked what was an "important" source of information for a remodeling job, home centers were tied equally in second place with magazine articles and contractors, accounting for 83 percent of the responses. Product literature was the most common source of information at 89 percent.

When it comes to the products to be used in the project, quality was the overwhelming requirement for homeowners. Aesthetics/design and selection were second and third respectively.

The consumers said they are not excited by nationally advertised, brand-named products. To the statement, "I prefer to buy nationally known brands rather than locally made or custom products," 56.5 percent of the respondents disagreed.

Where Consumers Go For Remodeling Information

Source	*Percentage*
Product Literature	89%
Home Centers	83
Magazine Articles	83
Builders/Contractors	83
Other Retail Outlets	80
Magazine Advertisements	75

Source: *Home Magazine* remodeling survey — *NHCN* chart

The Most Frustrating Aspects of Remodeling

Activity	*Percentage*
Construction Delays	61%
Little time to finish project	53
Cost overruns	52
Finding the right idea	45
Finding the right product	42

Source: *Home Magazine* remodeling survey — *NHCN* chart

The Home *magazine survey found that a large majority of upwardly mobile homeowners have finished or are contemplating a major remodeling job. The survey also found that home centers rate fairly high as sources of information for remodeling.*

Correction

An article on Spartenburg Lumber, appearing in the Aug. 22 issue, incorrectly stated the wholesaler's 1987 sales. They were $60 million.

In a story on the Columbus, Ohio, market in the Aug. 8 edition, *NHCN* incorrectly stated the title of Robert A. Shapiro, who is president of Majestic Paint Centers, a retail subsidiary of Yenkin Majestic Paint Corp.

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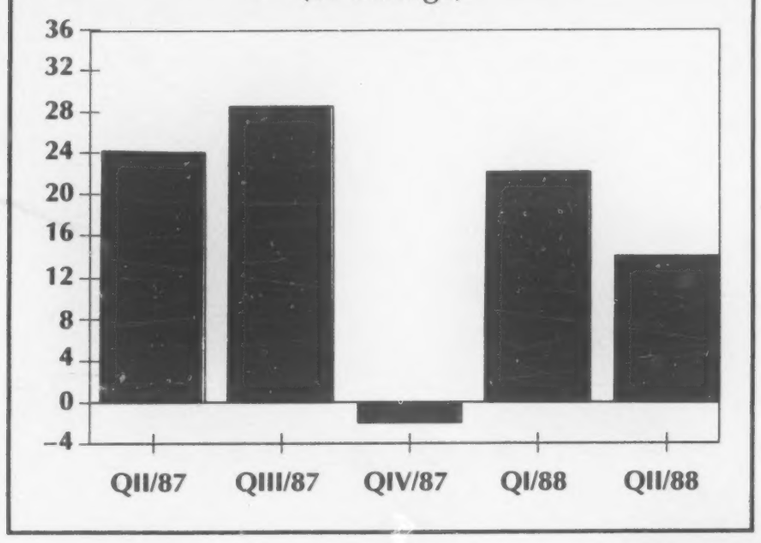

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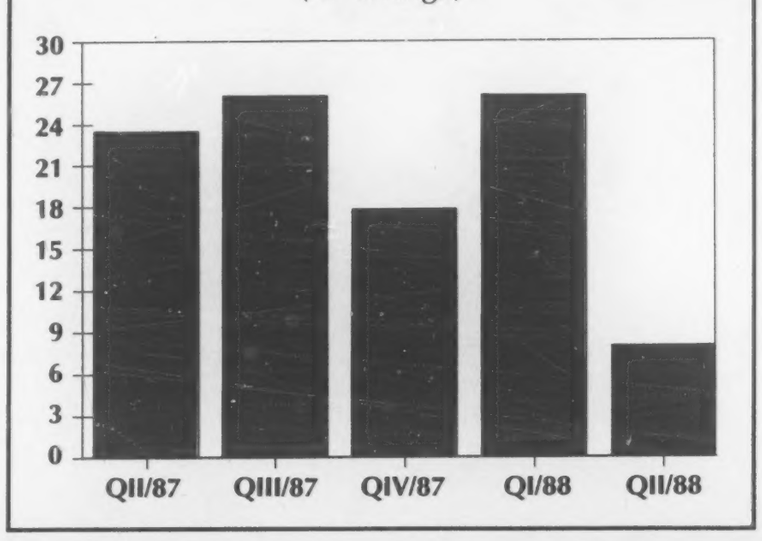

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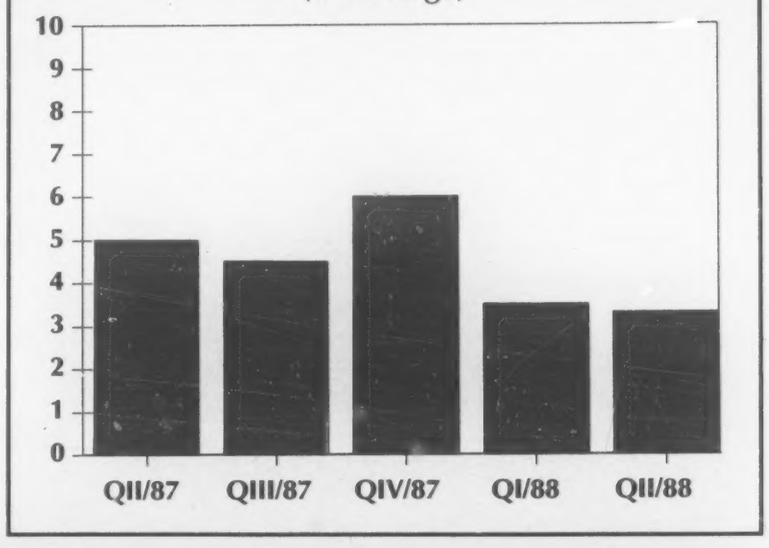


Retailers gaze into future to sort out business prospects

By Richard E. Mount
Special to NHCN

The fall forecasting season is fast approaching as building material retailers sort out their business prospects for 1989 and the years that follow.

This year, it is particularly difficult to look ahead, given the length of the current business expansion, fears of rising inflation, higher interest rates and uncertainties over the presidential election and how the winner will address the deficit problem.

The economy in 1989 will slow from its rapid pace of the last four quarters, but it will not slide into a recession. The current strength in the economy is centered in business spending on equipment, up 22 percent in the first quarter and 15 percent in the second, and exports, up 26 percent and 8 percent, respectively.

Richard E. Mount

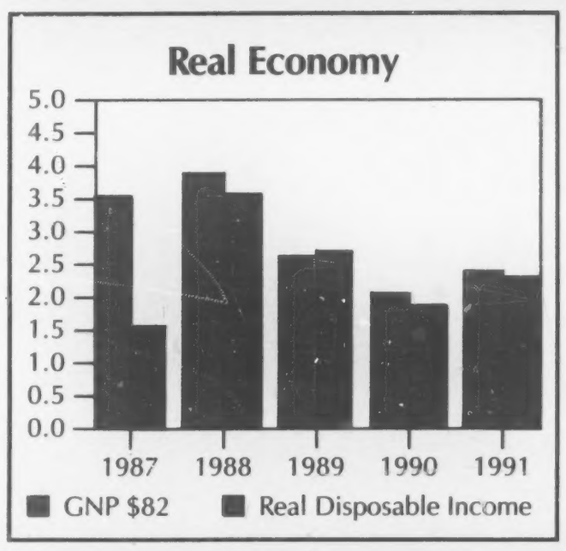
In dealing with economic and business outlook, more attention should be placed on inflationary pressures that are still well controlled. In spite of the low dollar, overseas producers are willing to lose margins to maintain market share.

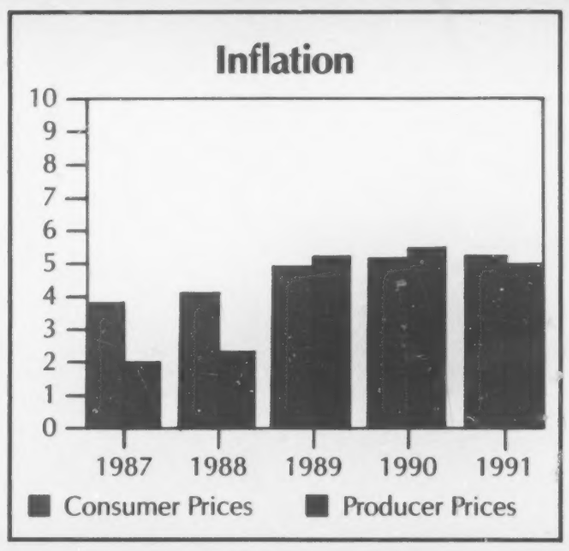
Building material retailers will continue to see slower sales gains than most retailers during 1990 and 1991 because of high mortgage rates and weaker resales and starts. For 1990, we expect a rise in unit building material sales of about 1 percent; for 1991 a stronger gain of 1.5 percent appears likely as mortgage rates decline, boosting starts and resales.

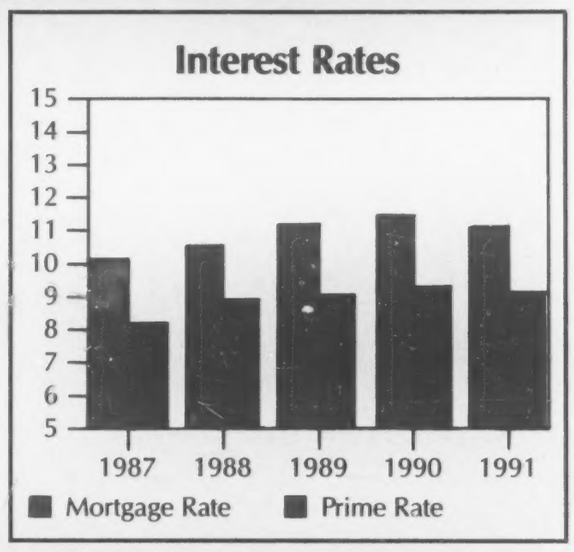
For building material retailers looking ahead to next year, it would be prudent to plan on steady but slow growth. The ongoing strength in resales seems to be able to take care of business needs through the end of this year and into early 1989. Replacement demand from strength in incomes will remain a major factor. For 1990 and 1991, an increased inventory control should be established.

Richard Mount is president and chief economist with Mount Economic Consulting.

General Business Conditions







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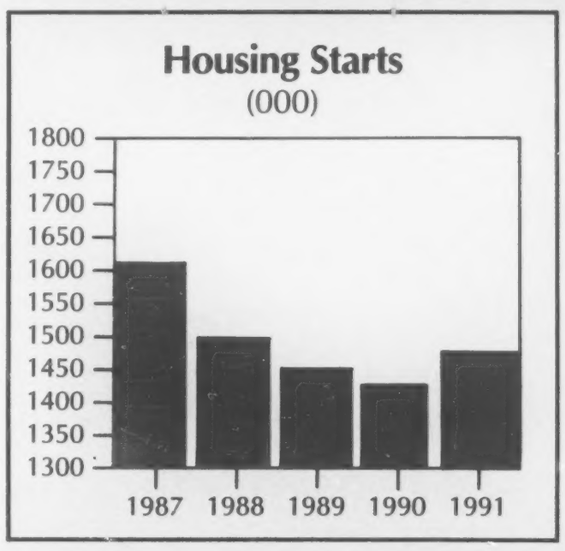

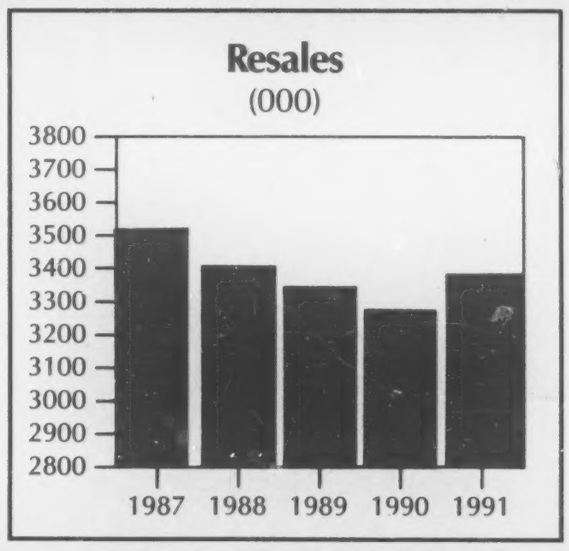

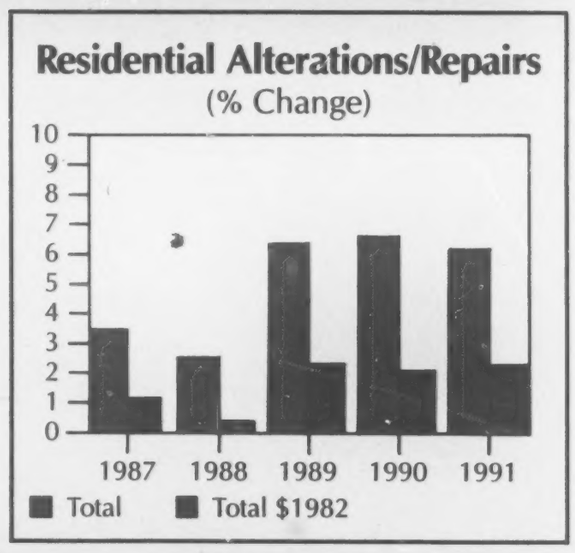

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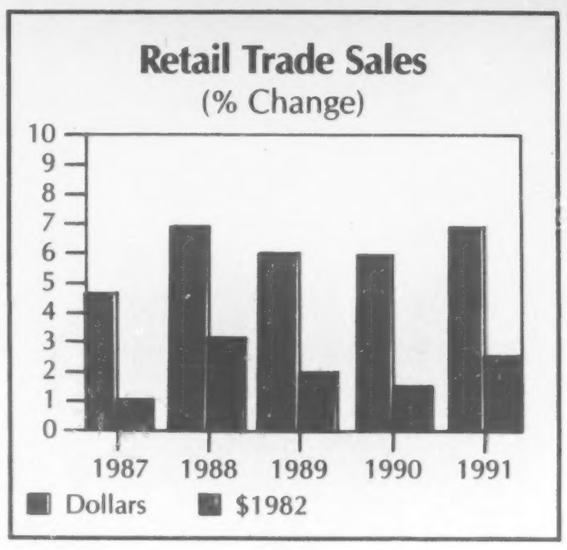

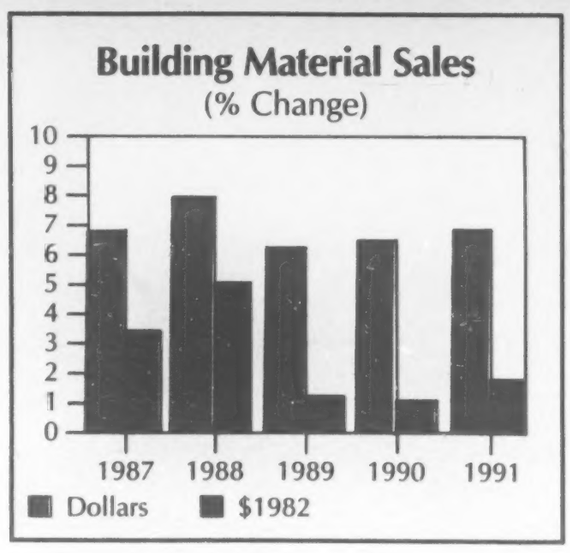

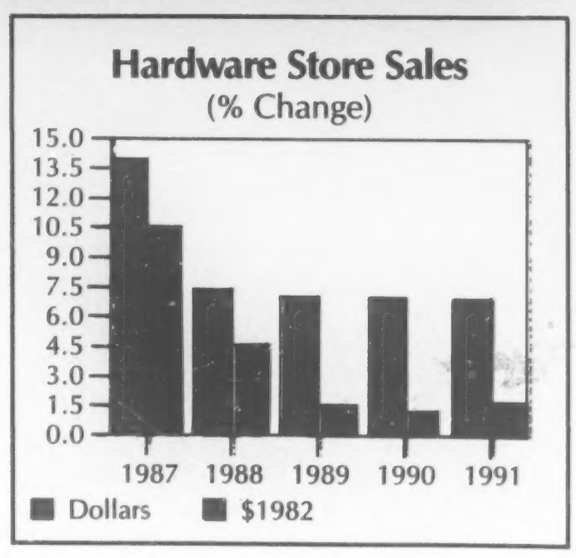

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Vendors feeling put upon by growing dealer demands

(Continued from page 6)

Ronald Kepes, president of Crest Industries, a Miami-based importer, said retailers want Crest to shoulder the risk of importing without charging a dime for the effort.

"There is a subtle, indirect pressure born of ignorance," Kepes said. "Slowly, but surely, we're bringing them back to reality" by explaining the costs of contacts, freight, storage and risk in importing.

Terms also become an issue in price hammering.

Dating from vendors has become the forte of the warehouse chains. Now, however, even Somerville Lumber, Payless Cashways' profitable Massachusetts subsidiary, has asked suppliers for one year's dating on products shipped to its new warehouse, according to at least two suppliers contacted at last month's Hardware Show.

The demand followed management's leveraged buyout of Payless, but still underscores the competitive posture all dealers have assumed.

For some home center chains, though, empty shelves constitute a bigger worry than price, according to Home Depot's Berg.

"Price becomes a secondary issue if you don't have the product on the shelves," said Berg. "Fill ratio: we tend to be tough on that."

One supplier said that monthly service visits to Home Depots stores have recently become weekly.

The problem of keeping enough stock on hand sometimes pales compared to the problem of unloading slow-moving merchandise.

"What they seem to be after is more and more buy backs," lamented Jack Irvin, a regional sales manager for American Standard. "They want us to clean up the mistakes of their buyers."

Buyers' errors are often compounded by the ineptitude of many home center sales people, prompting retailers to seek in-store training help.

In training, 'cooperation'

Responding to numerous requests from retailers, Keystone Steel & Wire, the Peoria, Ill., supplier, has introduced a the first of a series of videos aimed at store salespeople and consumers, said Richard Cloyd, director of marketing and public affairs.

Those training efforts could represent early efforts to forge partnerships.

Roger Wallace, president and coo of Artesian Industries, Mansfield, Ohio, said such home centers as Builders Square, Handy Andy, and Grossman's have moved toward greater cooperation with vendors.

"That doesn't mean they're not demanding, but they listen and they make suggestions for things we've never thought of," Wallace said. "It's an arrangement in which both parties benefit."

Retailers urged to keep current with trends

(Continued from page 7)

and director of client services at Management Horizons division of Price Waterhouse, Dublin, Ohio, and Norbert Newman, manager-strategic merchandise programs with the National Retail Hardware Association, Indianapolis, spoke to show attendees.

Retailers are constantly bombarded with new challenges, which are always changing and increasing in number. Each year, between 2,000 and 3,000 new hardware products are offered to dealers, Heffner said. Choosing which ones should be sold is "no small challenge."

It is also more difficult to determine who those people are that are going to the stores, Heffner added. The number of single-person households is on the increase and the polarization of income that has occurred the past several years are just two variables retailers must keep in mind. And where these people are shopping also has changed. "The distinction between manufacturer, retailer and wholesaler has disappeared. It's all merchandising," said Newman.

Eclipse's Mo. store count dwindles to two

(Continued from page 5)

Eclipse's lawyer added it agreed to the provisions because "they were performance levels we could meet."

U.S. Bankruptcy Court Judge Barry Schermer declared that the St. Louis-based company shall "enter into a contract to dispose of Eclipse's interest" in DIY Warehouse, a two-unit subsidiary of Eclipse and the Erb Lumber chain. The contract stipulates a sale price of at least $65,000 for Eclipse.

Also, Eclipse's retail sales at its two remaining locations, plus the liquidation of the three closed units through Oct. 3, must be at least $1.18 million. "If the final figure is $50,000 shy of the target, I won't have a problem with it," Voglar said. However, if Eclipse falls $200,000 short, he said it would indicate the company "could not retain its place in the market the way I think it should."

The Aug. 15 court proceedings were held to determine if Eclipse, which had filed for Chapter 11 protection in June, was eligible for continued interim financing from Citicorp, the bank that has been providing funds to Eclipse since before the Chapter 11 filing.

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National
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The success of this Lowe's 60,000-square-foot prototype in Knoxville, Tenn., has led to plans for 20 more such stores by the end of 1989. NHCN photo

Lowe's plans twice the floor space in new units

By Edward McKinley

NEW YORK — The runaway success of Lowe's 60,000-square-foot experimental store in Knoxville, Tenn., has convinced the North Wilkesboro, N.C., company to begin doubling the size of its stores' selling floors, executives said at a recent meeting here.

By the end of 1989, Lowe's expects to operate nearly 20 60,000-square-foot units, starting from a current base that includes the one in Knoxville and two others nearly that large, said Cliff Oxford, vp-corporate relations.

"We are building a chain of large stores," Oxford told securities analysts meeting recently in the Grand Hyatt Hotel here.

The Knoxville experiment, under way in a former Jefferson Ward store, has taught the 296-store company that larger stores reduce opening expenses, maintain higher margins and increase turns, said Greg Bridgeford, vp-corporate development.

(continued on page 72)

Scotty's names new mgmt.; plots aggressive strategy

By John Caulfield

WINTER HAVEN, Fla. — Daryl L. Lansdale has been named the new president of Scotty's. And joining Lansdale, in the new position of executive vp-marketing, is Robert L. Swanson, who resigned as senior vp-merchandising for Lowe's Co. this spring.

Lansdale's background includes stints as president of W.R. Grace's Central Region and president of the Lonestar Hardware division of Westlake Hardware, from which he was dismissed in July.

Neither Lansdale nor Swanson could be reached for comment at press time.

Scotty's new management team, now complete, will strive to instill into the 156-unit chain an aggressiveness that has been absent for a number of years, current and former officials concede.

"We've been doing things the 'sleepy' way; now it will be an awakened way," said Amand Van Roy, managing director of GIB Group's profitable Brico Home Centers in Europe, who was named to Scotty's board of directors and is expected to serve as a consultant for several months.

In devising a new corporate strategy, Scotty's executives will scrutinize the proposals for corporate change made in a study of the chain commissioned by Scotty's from a consulting firm this summer.

On Aug. 26, GIB Group, the Belgian-based conglomerate, increased its holdings in Scotty's to 42.7 percent by paying about $28 million to purchase all the common stock held by Scotty's chairman Jim Sweet and his family.

(Continued on page 71)

SCOTTY'S
Winter Haven, Fla.

	1988	1987	1986	1985	1984	1979*
Sales ($ million)	550.8	515.3	493.9	453.4	424.5	201.2
Net income ($million)	17.5	10.3	13.5	17.5	18.1	8.4
Earnings per share (in cents)	76.0	71.0	93.0	124.0	132.0	88.0
Stores	156	141	130	116	110	71

*Year GB-Inno-BM first invested in Scotty's

Source: Scotty's annual report NHCN chart

Scotty's earnings have been lackluster recently due to intensified competition in the Florida market.

Bravers sell all assets to Erb Lumber

By Gary S. Ruderman

DETROIT — Citing health considerations and wanting to exit the highly competitive, tight-margin market, Joseph Braver and his brother sold the assets of their eight-unit chain to Erb Lumber, Birmingham, Mich.

Braver has operated for 38 years under the name Pine Lumber Cashways Stores. It had estimated 1987 sales of $20 million to $25 million, according to Erb Lumber. Four of its eight units are in the Detroit area. The chain once operated as many as 13 units in the Detroit and central Michigan area and posted sales as high as $30 million just two years ago, Braver reported previously.

(continued on page 70)

Joe Braver, president of Braver Lumber. NHCN photo 1981

High tide of 'crud' buoys sales of filtration systems

By an NHCN staff editor

NATIONAL REPORT — Every time medical waste washes up on East Coast beaches or bacteria counts

Merchandising

soar and close Midwest swimming holes, consumers start getting nervous about their drinking water and look to home centers for water filtration devices.

Demand is rising "because there's more publicity about cruddy water," explained Bill Miller, plumbing buyer for independent General Building Supply in Madera, Calif., a farming community.

Miller, like other buyers from both chains and independents, sees a boost in filtration sales that parallels media attention given to the nation's water problems. The demand is expected by vendors, too. Buyers saw as many as 15

(continued on page 71)

Exurban growth turning Pocono Mtns. holiday homes into everyday homes

By Edward McKinley

THE POCONOS, Pa. — Seeking peace and lower real estate prices, New Yorkers have pushed the suburbs ever outward from Manhattan, filling much of northern New Jersey and, more recently, spilling into northeastern Pennsylvania.

Regional Report

The migration, which reached the hamlets of Pennsylvania's scenic Pocono Mountains about three years ago, has begun to slow but still determines how the area's home centers do business.

Of the four Pennsylvania counties that lie in the Poconos, two have become the fastest growing in the state: Pike County, with a 22.1 percent gain from 1980 to 1986, and Monroe County, with a 19.1 percent increase during the

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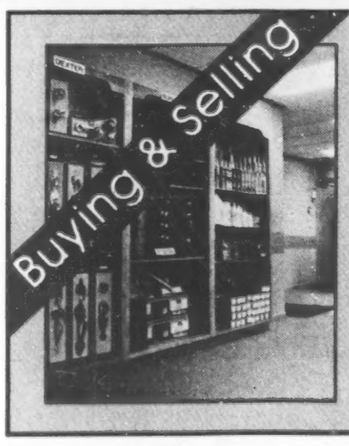

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NEWSBREAKS

LLOYD FINDS BUYER: American Maize Products will sell its 34-unit Lloyd Home & Building Centers to an unnamed investor for $25 million, $10 million under book value. The Connecticut chain lost $4.5 million in the first half of 1988.

REVELSTOKE SOLD; CHAIRMAN RESIGNS: West Fraser Timber Co. will pay $3.75 per share for the Calgary-based diversified firm that runs 18 home centers. Steele Curry will resign, along with Revelstoke's president, executive vp and secretary/treasurer.

INDUSTRY UPDATE

Wickes unshaken by Drexel flap

SANTA MONICA, Calif. — A Wickes Cos. spokesman said the civil and potential criminal charges against its investment banker, Drexel Burnham Lambert, shouldn't impede the proposed LBO of Wickes by its management.

The Securities and Exchange Commission charged Drexel with 18 counts of insider trading and other securities violations, three of which directly related to its dealings with Wickes. U.S. Attorney Rudolph Giuliani is expected to file criminal charges against Drexel.

Drexel is helping Wickes officials raise the capital for their $574 million leveraged buy out of the company, and is also an investor in that deal. "At present, the S.E.C. charges are simply allegations that have been denied completely by Drexel," said Michael Sitrick, Wickes' senior vp-corporate communications. "Drexel has done a very good job for us, and we have no reason to believe that these charges will have any impact on our leveraged buy out."

He said, though, that it would be "distressing" if the S.E.C. allegations proved true.

Kadish is Handy Andy president

SCHAUMBURG, Ill. — Steven Kadish was named president of Handy Andy Home Improvement Centers Inc. Kadish, 40, joined the retailer in March 1986 from a law practice and previously was the chain's senior vp and general counsel.

He will head Handy Andy's five-member executive team as president. Ron Rashkow, chairman and ceo, relinquished the president's title Aug. 22. Last month, he was named to the board of Scotty's, a 156-unit Florida chain. Belgium's largest retailer, GIB Group, has an equity stake in both Handy Andy and Scotty's.

In other news at Handy Andy, the chain will open its 21st Chicago-area store this month on the city's southwest side. It also announced it would open three units in September and October in Toledo, Ohio, which would bring its total to 49 units in five midwestern states.

Allied, Pro halt merger talks

CHICAGO — Merger negotiations between Allied Hardware Services here and Pro Hardware, Stamford, Conn., have fallen through.

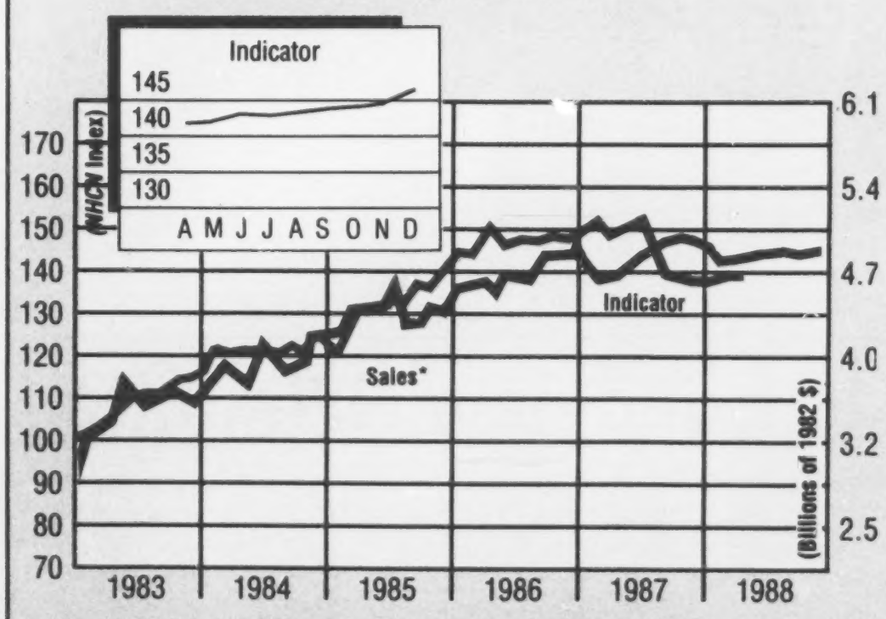
A senior industry official said merger talks between the wholesaler marketing groups collapsed before the sides were able to "define" how they would come together.

Philip Mason, president of Allied, confirmed that negotiations occurred but declined to elaborate. Gary Cosgrove, Pro president, had no comment.

Allied, with 30 wholesale members, had 1987 sales of $325 million. Pro has 15 wholesale members and 1987 sales of $615 million.

Of the two organizations, Pro has the higher profile with its 5,000 affiliated retail dealers, compared with Allied's 800 dealers.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is pointing to a small gain in building materials sales in the summer due to improvements in resales and incomes.
(Due to production requirements, the stock page will not be included in this issue.)

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Hechinger 2Q sales, earnings hit record

By an NHCN staff editor

LANDOVER, Md. — Hechinger's second quarter produced record sales and earnings for the 83-unit chain.

For the period ended July 30, Hechinger reported revenues of $284.1 million, up 39 percent for the same quarter a year ago.

The company's income totaled $15.1 million, 23 percent higher than what was recorded in the second quarter of 1987. The earnings per share, fully diluted, equaled 40 cents.

During this quarter, Hechinger changed its inventory accounting procedures to include certain warehousing, distribution and other costs as "inventory acquisition costs." Previously, these were part of the company's selling and administrative costs.

The cumulative effect of the change increased Hechinger's net income by $1.9 million, or 5 cents per share fully diluted.

In the first half of 1988, Hechinger registered revenue increases of 42 percent to $522.9 million.

Earnings, before the inventory accounting change, were $23.9 million, 21 percent higher than a year ago. Earnings per share, fully diluted, were 64 cents.

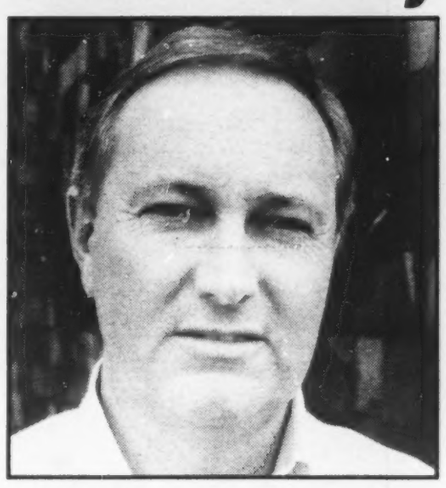
Home Depot shuffles key executives

By an NHCN staff editor

ATLANTA — The Home Depot shifted and promoted several key executives last month, and unveiled its plans to open a regional buying office to handle its Northeastern expansion next year.

The most significant promotion was Jim Inglis to executive vp-merchandising in charge of merchandising, advertising, marketing, distribution and importing for the entire 86-unit chain. He is expected to relocate to Home Depot's headquarters here from the chain's Fullerton, Calif., office, where he was West Coast vp-merchandising, within six months.

Reporting to Inglis will be Bruce Berg, who has been promoted to senior vp-merchandising, East Coast region from vp-merchandising, and Bill Hamlin, a merchandiser who fills in Inglis' former post as West Coast regional vp-merchandising.



Jim Inglis, executive vp-merchandising, Home Depot.

NHCN photo

Dennis Ryan, who joined Home Depot in 1985 as a merchandiser, has moved into the newly created position of Northeast regional vp-merchandising, assuming responsibility for Home Depot's stores scheduled to open in New Jersey and Connecticut initially in the fourth quarter of this year and through 1989.

A source familiar with the company said a regional office could be situated in South Plainfield, N.J., which is also the headquarters city for Rickel Home Centers. A chain spokesperson stated that no site has been decided upon.

Home Depot reported that its sales for the first half of 1988 increased 34.9 percent to $964,751,000. Net income for the six months ended July 31 rose 44 percent to $40,761,000 or 80 cents per share.

In the latest quarter, sales rose 36 percent to $518.6 million, and net income jumped 38 percent to $21.5 million. Comparable store sales rose 12 percent for the quarter, 13 percent for the half.

During the second quarter, Home Depot opened nine new stores and entered two new markets: Sacramento, Calif., and Greenville, S.C.

Two stores opened since the end of that quarter. Home Depot plans to open 10 new units in the fourth quarter.

PPG withdraws from Grow Group deal

By an NHCN staff editor

PITTSBURGH — PPG Industries withdrew at the 11th hour from an agreement to purchase Grow Group, but both companies declined to say if a plant fire and evacuation squelched the deal.

PPG, manufacturer of Pittsburgh Paints and other products with sales of $5.1 billion last year, had signed a definitive agreement to buy Grow Group, a New York City-based manufacturer of paints and coatings for $233 million.

PPG backed out of the deal on Sept. 6, the 10th and final day for a pull out allowed under the agreement.

Three days earlier, a fire in Grow Group's City of Commerce, Calif., swimming pool chemical plant released chlorine gas into the air, forcing the evacuation of 25,000 people.

Authorities ordered the evacuation of six square miles in the Los Angeles suburb and at least a dozen injuries were reported, leaving open the possibility of lawsuits, according to *The New York Post*.

A similar toxic release occurred about two weeks earlier and authorities had not indicated the cause.

The connection between the chlorine gas leak and the decision by PPG to break away from the proposed acquisition remains unclear. "The company is not giving any reasons why the agreement was terminated," David Green, PPG director of corporate communications told *NHCN*. "The deadline was Sept. 6 and on Sept. 6 PPG simply decided to terminate the agreement."

Reached by telephone, Russell Banks, Grow Group president and ceo, declined to comment on the failed merger or the accident.

Before calling off the deal, PPG officials had said the acquisition would broaden the company's line of paints.

"The strength in Grow Group," said David Green, PPG director of corporate communications, "is in their trade paints.

"With a number of labels aimed at different classes of business," he said, "PPG will have flexibility in marketing paint to consumers."

He said Grow Group, with sales of $382 million last year, markets paint brands that include DeVoe, Ameritone and Harris.

Grow operates 19 plants and more than 100 retail paint stores, mainly in the South, Midwest and on the West Coast, said Green.

PPG, he said, left the retail paint business by selling its stores in the last few years.

Before the deal was terminated, Vincent A. Sarni, PPG's chairman, said the transaction will "fit exceptionally well within PPG's coatings and resin group."

Banks had described the impending deal in glowing terms in a prepared statement.

"We are pleased that we have been able to achieve such an attractive transaction for our shareholders," said Banks. "We look forward to becoming part of PPG. In addition, I am particularly happy that Grow's employees will become associated with a company [that has] a reputation for outstanding employee relations."

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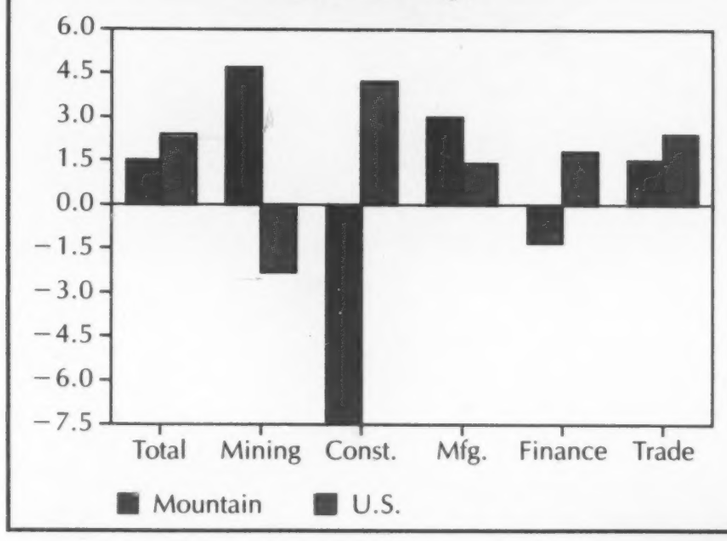
Business Watch

Section 4

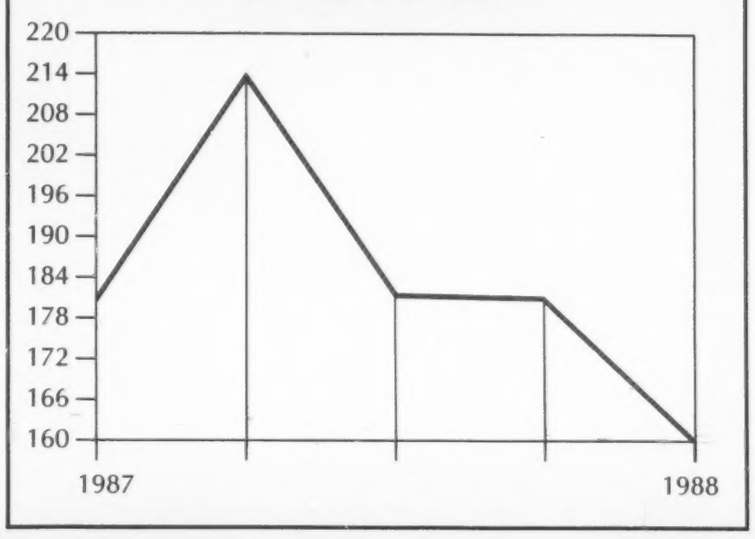
Soft gains in Mountain employment . . .

Employment Growth
One Year Ago



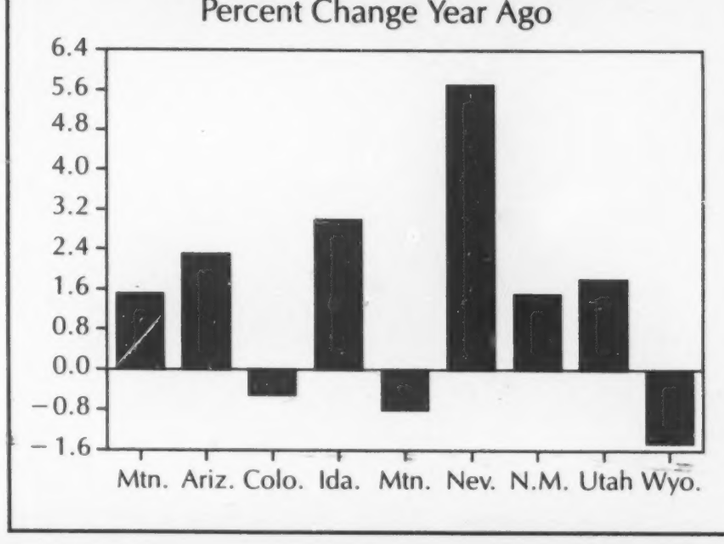
. . . and weakness in resales, plus . . .

Mountain Resales
$ Thousands - Saar



. . . problem states will hurt sales.

State Employment Gains
Percent Change Year Ago



Mountain state sales will ease off despite strong first quarter

By Richard E. Mount
Special to NHCN

Despite the strong gains in building materials sales for the Mountain states during the first quarter of 1988, sales should ease for the remainder of the year. Because of the low levels posted in the second and third quarters of 1987, sales are likely to be up 8.9 percent this year, stronger than the 8.1 percent national average. Adjusted for price increases, unit sales in the Mountain states will be up 6 percent.

Employment growth for the region is up only 1.5 percent from a year ago; nationally it is up 2.5 percent. The region is especially weak in construction—down 7.5 percent—and finance, off 0.9 percent. The good news is that the manufacturing and non-energy mining sectors, the economic mainstays for many of the states in the region, are beginning to accelerate and their strength will eventually spill over to retail trade, finance and construction.

Richard E. Mount

A major problem facing building materials retailers in the Mountain states during 1988 is the declining trend in resales. Resales peaked in the second quarter of 1987 at 212,700 units and have since declined 24.9 percent to 159,700. Resales are the best indicator of future commodities sales, and their recent softness suggests a decline in future home repairs and remodeling.

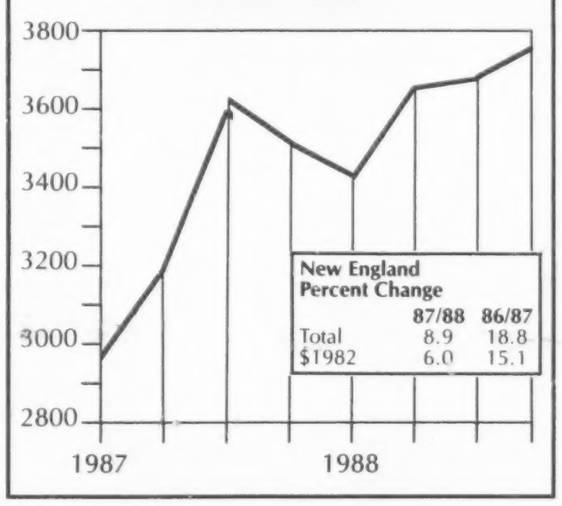
Nevada is the strongest state in the region with employment growth of 5.6 percent from a year ago, more than twice the national average. Construction employment rose 10.4 percent.

The regional economy remains soft, with the exception of Arizona and Nevada. For 1989, national building materials retail sales should rise 6.3 percent, but the Mountain states could be up only 4.8 percent. It will not be until 1990 or 1991, when energy prices begin to advance, that the Mountain states become reinvigorated.

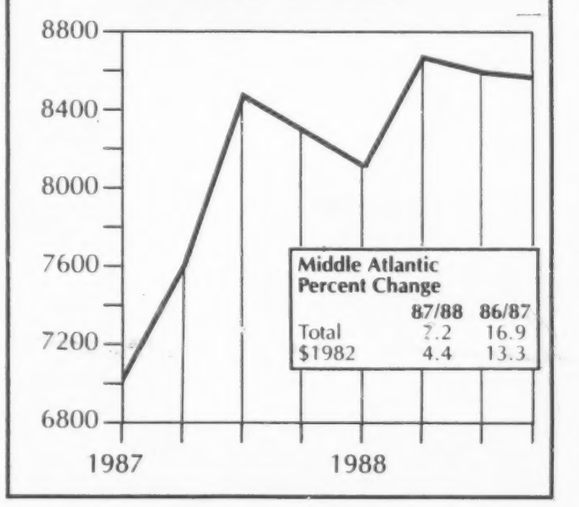
Richard Mount is president and chief economist with Mount Economic Consulting.

Regional Outlook: Building Material Sales

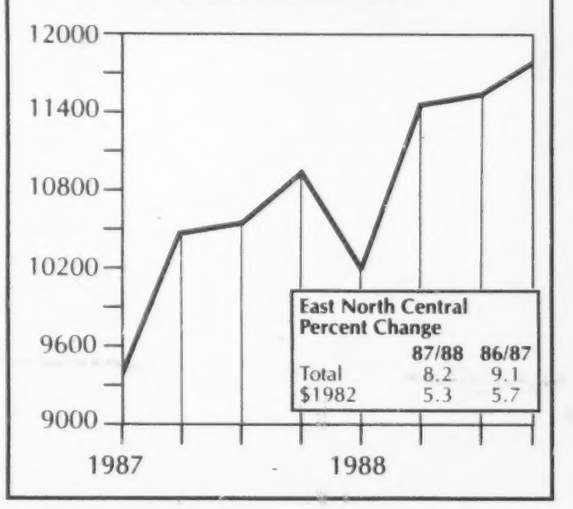
New England
Millions of Dollars



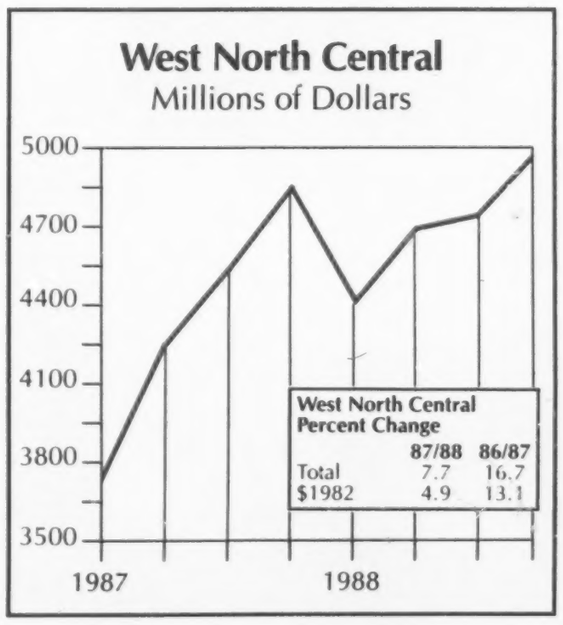
Middle Atlantic
Millions of Dollars



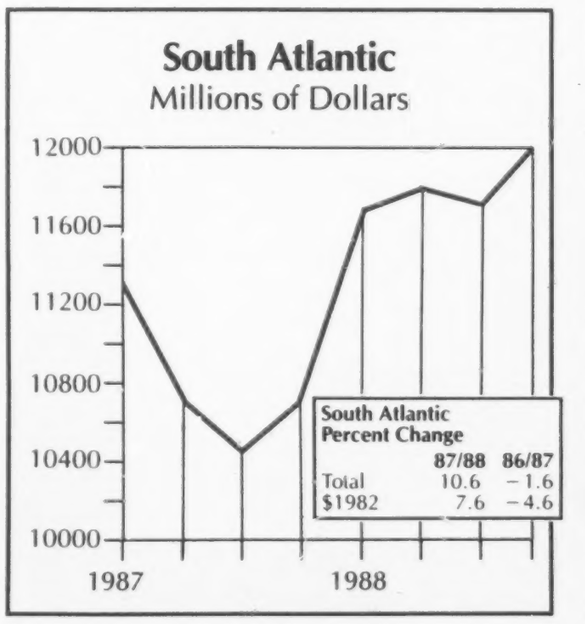
East North Central
Millions of Dollars



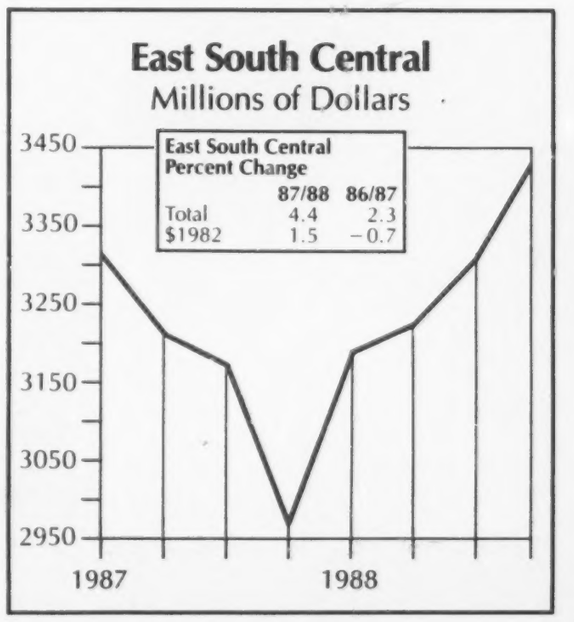
West North Central
Millions of Dollars



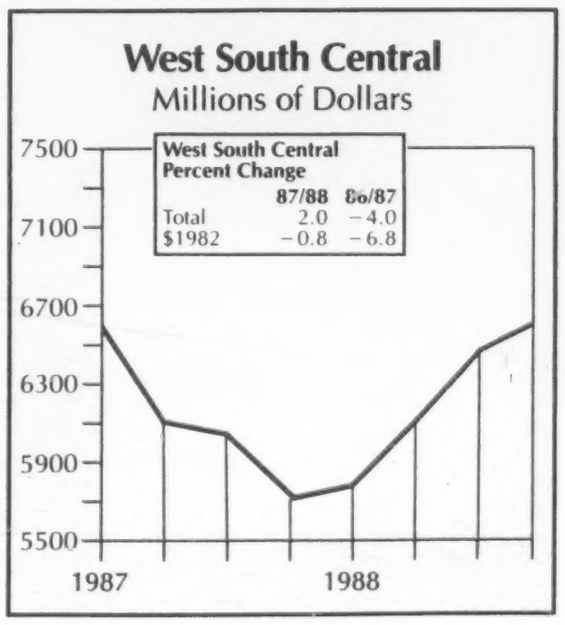
South Atlantic
Millions of Dollars



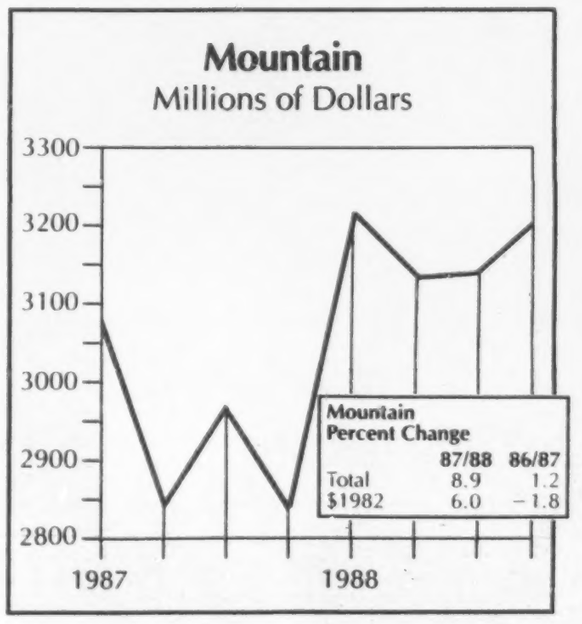
East South Central
Millions of Dollars



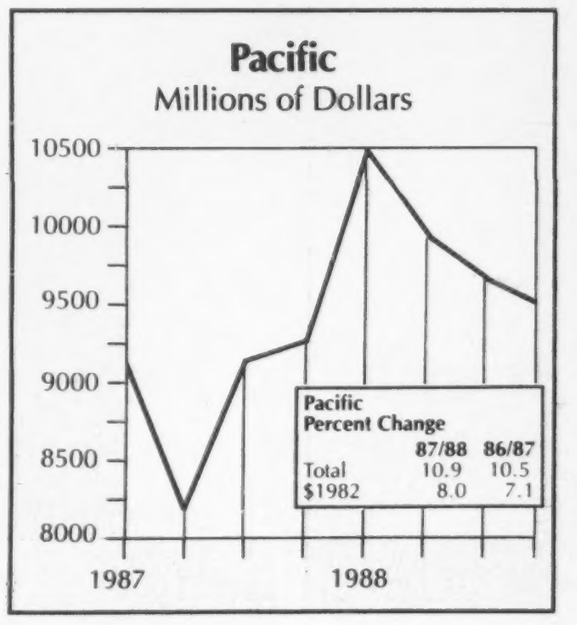
West South Central
Millions of Dollars



Mountain
Millions of Dollars



Pacific
Millions of Dollars



Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Lowe's decides to double size of stores' floor space

(Continued from page 1)

Most of Lowe's stores with 30,000 square feet of selling floors have similarly sized adjacent warehouses. In the 60,000-square-foot store, the company eliminated nearly all of the storage area and uses the space for selling.

Bridgeford said that getting rid of the storage space greatly reduced "double handling" from the warehouse to the sales floor.

Margins increased because of more impulse sales of "take with" merchandise and self-service, Bridgeford said.

"If you create a true self-service atmosphere," he said, "with synergy of point of purchase display information, stocking procedures, in-stock positions and a layout that makes it easy to get around, self-service is a positive thing."

Merchandise turned more quickly than in the average 30,000-square-foot stores opened during the last three years, he continued.

Lowe's people contemplate even better results in new stores, where the merchandise assortment will grow by another 20 percent over the mix in the Knoxville prototype, Bridgeford said.

Recent changes in the product mix include dropping bikes, framed art and soft bath merchandise such as towels. The plan is to build the assortment in plumbing and other core businesses.

Sales have proved strong for Lowe's in lighting, millwork, water systems and plumbing, brown goods and even lawn and garden, despite the drought.

So strong, in fact, that the company expects stores to average retail sales of more than $6 million annually.

The changes were well received by Dan Wewer, a securities analyst for Robinson Humphrey, the Atlanta investment firm.

Wewer said the company is taking the right course by enlarging stores, but he expressed doubt about the wisdom of moving into bigger, highly competitive markets and said he wondered why Lowe's still seems to lag behind some chains in switching to larger stores.

Late or not, Lowe's has secured sites for opening new stores in 1989 and 1990.

Expansion in 1990, Bridgeford said, will prove more aggressive, with the company adding "a fair amount more square footage than in 1989," Bridgeford said.

This year, the company will add 450,000 square feet of selling space by opening seven new stores, moving eight stores to new locations, retrofitting five stores and building additions to 14 stores.

Next year, Lowe's wants to expand by 850,000 square feet, including nine new stores, 12 relocations, one retrofit and two additions to existing stores.

Bridgeford cautioned, however, that next year's figures remain "hazy," with many details still under negotiation with developers.

Most of next year's expansion will fit the new mold of 60,000-square-foot stores, with the exception of some 40,000-square-foot variations of the new prototype for smaller markets.

Lowe's will build about 60 percent of the 60,000-square-foot stores in their larger markets, those with 65,000 or more households.

Five 60,000-square-foot stores will open next spring and summer, with one in Wilmington, N.C., and two in Ashville, N.C.

Retrofits, the company said, would require removing the wall between the warehouse and showroom and adding more racks. The process should take about six months per store.

However, Lowe's will "relocate scores" of smaller stores, which has proven more successful than enlarging older stores, Bridgeford said.

The company might use some of the older stores as distribution sites for contractors, but that decision will depend upon each market.

To expand, Lowe's will lease more sites than in the past. The company now owns 70 percent of its stores.

"We are not so interested in owning as we are in opening large stores," Oxford said.

Opening bigger stores will cost about 10 percent more than the old 30,000-square-foot units, Bridgeford said.

Extra showroom fixtures account for most of the difference in start-up costs, he said.

Construction costs typically reach about $1 million per store with a small percentage more for fixtures, Lowe's executives said.

Land costs for the necessary eight to 10 acres usually range from $1 million to $2 million, depending upon the market. Inventory totals about $1.5 to $1.6 million.

Despite the expansion, the company expects capital expenditures to dip in 1989.

Next year's expected capital outlay of more than $100 million will fall short of the $140 million of recent years, much of which paid for a new DC and improvements in computer systems.

Stanley executives go back to school

(Continued from page 7)

ley has, but it does hire interns to work in the marketing department. Scott McGurn, marketing analyst at Cooper, said there are several advantages to working with college interns.

Obviously, the internship helps the marketing student in setting up his career, and working inside a company is an ideal way to do it, McGurn said. "It's 100 percent better than working at 7-Eleven."

Some of the advantages for the company are that it makes a contribution to the community, it saves on costs by not paying certain benefits which full-time employees receive and it provides the company with fresh ideas, McGurn added.

Local colleges which Cooper has worked with include the University of North Carolina and Meredith College. It has also worked with some international students.

In another instance, the Virginia Polytechnic Institute and State University of Blacksburg, Va., have worked with Lowe's, the North Wilkesboro, N.C.-based home center chain with 298 stores. Barry Reece, a professor of marketing education at Virginia Polytechnic, worked with Lowe's in its training department.

A Roanoke, Va., high school teacher assisted Lowe's in shrinkage control after overseeing one of his students who had worked with Lowe's in marketing.

Other schools enjoy the idea of working with the home improvement industry, but do not have the resources or are faced with geographic limitations. "It's hard for a school to initiate when we don't know what's out there in terms of companies and their products," said Doyle Weiss, head of the marketing department at the University of Iowa.

Also, schools often do not have the needed contacts, according to Fred Smith, professor of marketing at the University of Oklahoma. He added companies do little recruiting in that area of the country.

Back at U Conn, Stanley returned two weeks later to listen to the students' presentations and will study them, for possible future use. "We'll be implementing some of their ideas," said Scott Bannell, vp-marketing for Stanley. "And perhaps something we did or said will inspire them as they begin their career. Who knows, it may even be in the do-it-yourself market."

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National
Home Center News

Vol. 14, No. 20 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Oct. 3, 1988

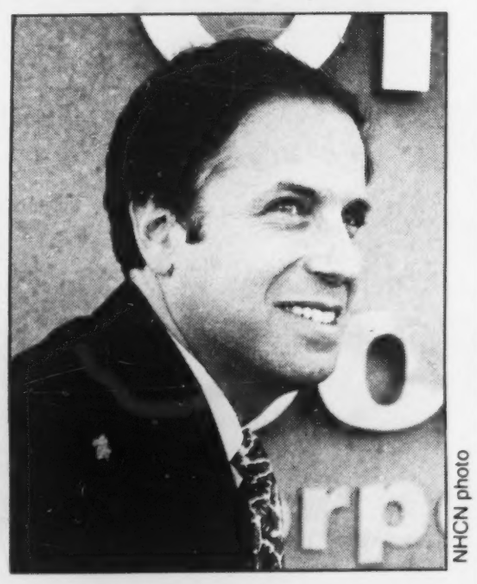
Going private will give Coast big cash infusion

By Edward McKinley

NEW YORK — CoastAmerica could grow prodigiously with a cash infusion of nearly $37 million from a deal proposed by an investment firm based here.

Warburg, Pincus Capital Co., L.P. has offered to pay the Denver-based franchised wholesaler that amount for 4.3 million shares of its stock.

By paying $8.50 per share for stock that was trading at $6.50 before the announcement, Warburg would take control of about 47 percent of the company, said James R. Holland Jr., Coast's executive vp and cfo.



NHCN photo

Richard Bard, Coast's chairman and ceo, has been named to evaluate proposals for taking the company private.

Because the remaining 63 percent of the company's 10.4 million shares of outstanding stock rests in the hands of a few people and companies, Warburg's move, in essence, would take the company private, Holland said.

The deal does not constitute a takeover and would inject cash into Coast, rather than create the massive debt associated with leveraged buyouts, Holland said.

(Continued on page 90)

Retailers hope fall promos will bury bad summer sales

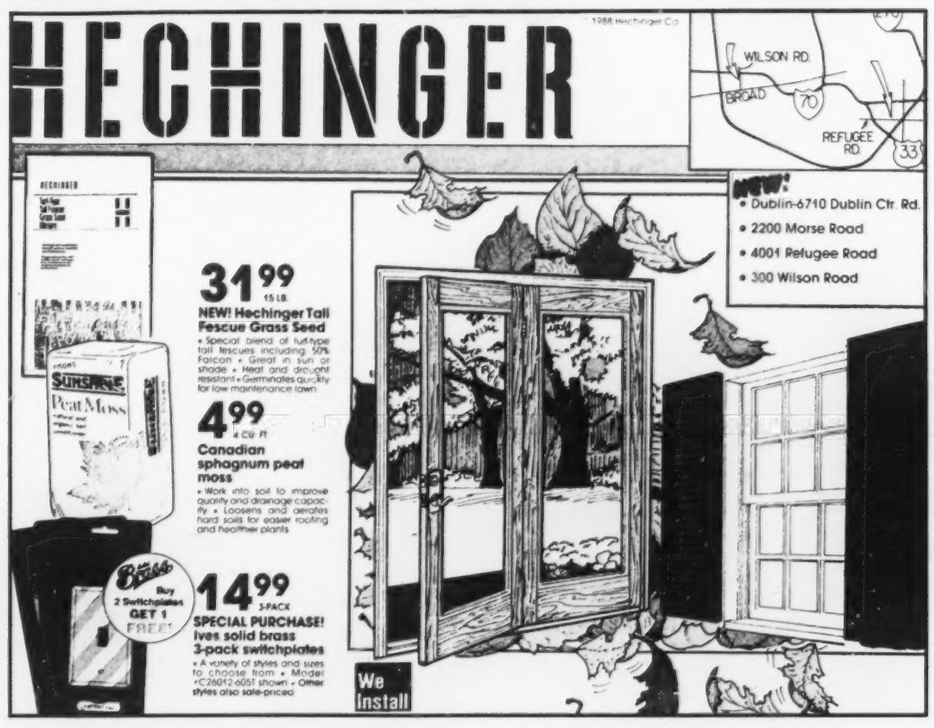
By Roman Czajkowsky
Special to NHCN

NATIONAL REPORT — Retailers and suppliers are employing heavy fall promotions that they hope will produce robust sales over the next several months to compensate for business that got scorched during this summer's drought.

Insulation, heating, ceilings, tools and outdoor power equipment are among the categories appearing more frequently in dealers' fall ads.

And while it's too early to tell what the season's hot sellers will be, one normally slower mover at this time of year—exterior paint—might have a strong showing, according to early indicators.

"Retailers are saying that Labor Day was very good for sales of exterior paint, and that's a signal for what might lie ahead," said Bob Erickson, director of sales and marketing for Dutch Boy, the Cleveland-based paint manufacturer, which has put together an extensive institutional TV ad campaign.



This insert for Hechinger plays up the autumn theme with fallen leaves decorating the ad. Part of the insert, looking ahead to winter, features fireplace maintenance kits

"We feel there's a pent-up demand that is coming out right now," added Charles Carpenter vp-marketing services for The Glidden Co., also in Cleveland.

(Continued on page 89)

Future glows for sales of radon test kits

By Elizabeth Brent

NATIONAL REPORT — Suddenly radon testing kits are the hottest product on the shelf.

Skeptical retailers who a year ago viewed the product as a passing whim are now placing orders, while others are rapidly moving the products up to the checkout counter.

Merchandising

Today, Triangle Building Centers, Barrons Gaithersburg Lumber, Hechinger, Busy Beaver and the hardware co-ops Cotter & Co. and ServiStar are among the growing number of home centers carrying the product.

Cotter, whose dealers operate under the True Value logo, switched from special order-

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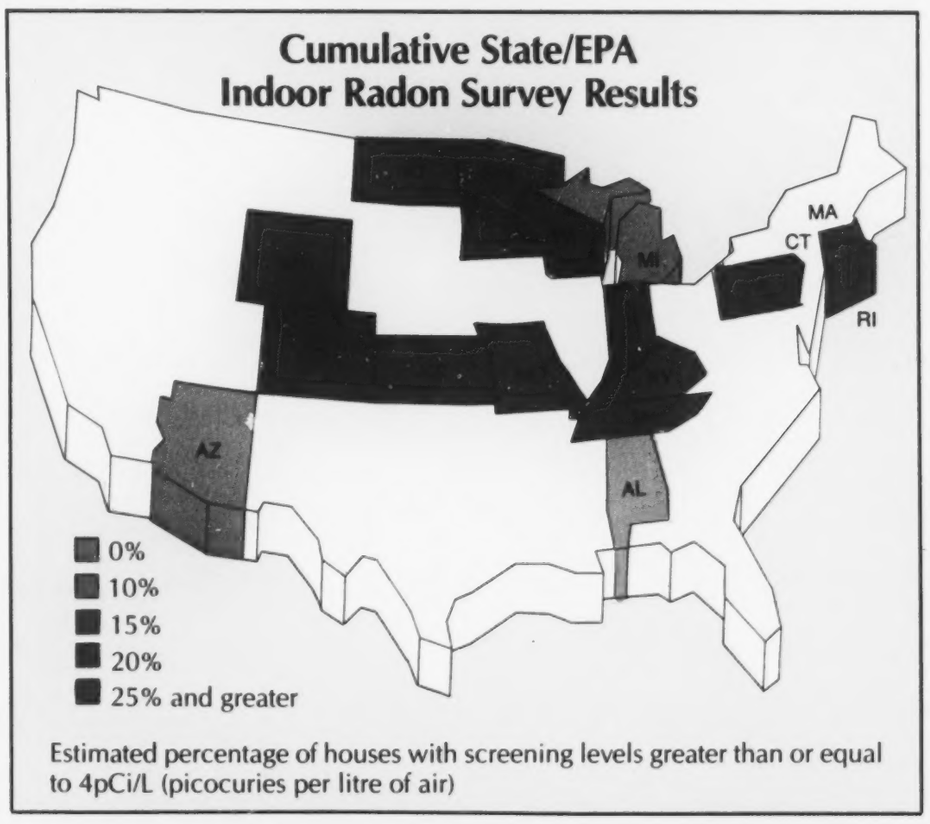

Test results from the EPA survey represent screening measurements and should not be used to estimate health risk. Also, the values might not represent all homes in each state. Some states that conducted their own surveys are not shown on this map.

Kidder Peabody acquires all Lloyd assets for $25 million

By an NHCN staff editor

DANBURY, Conn. — Lloyd Home & Building Centers was sold to Kidder Peabody & Co., the New York based-investment banking firm, on Sept. 8 for $25 million, according to sources familiar with the transaction.

An official with the investment firm would neither confirm nor deny that the purchase was made. But *NHCN* has learned that Kidder will acquire all of the net assets of the 34-unit Lloyd, subject to the negotiation and execution of a definitive purchase agreement.

(Continued on page 92)

Retailers luring new homeowners through direct-mail coupon offers

By Tom Bagsarian

NATIONAL REPORT — When new homeowners move into a new neighborhood, finding the right schools, supermarkets and a good doctor can be a time-consuming ordeal.

But in many markets, homeowners in search of a home improvement center need look no further than their mailbox.

Only days after Lucinda Shields moved into a new home in Charleston, S.C., last November, she received a coupon from the local Lowe's that she exchanged for a free garden rake.

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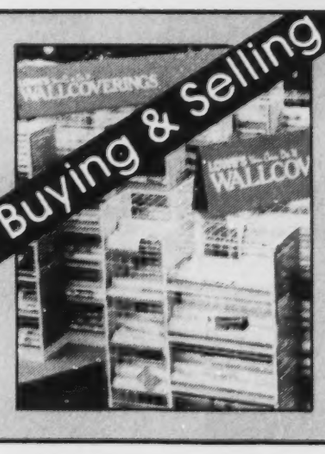

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NEWSBREAKS

BUILDER MARTS OF AMERICA SPINS OFF RETAIL CHAIN, NAMES NEW PRES.: Its 14-unit Builderway will now operate separately from the dealer services group to remove conflict of interest problems. Don Huston, president of the Greenville, S.C.-based chain, plans growth by acquisition within its five-state trading area. Paul J. Dodge, who ran BMA's dealer division, was named president of the entire company, replacing long-time president Clarence Bauknight, who remains chief executive.

INDUSTRY UPDATE

2nd Office Square opens in Nov.

TROY, Mich.—K mart's second Office Square—a new warehouse-style office supplies format—will open in November in Morton Grove, Ill. The first Office Square opened Aug. 3 in Palatine, Ill.

Each store contains about 25,000 square feet of selling space and features office supplies, furniture and business equipment discounted at 10 percent to 50 percent off manufacturer's list prices.

Office Square is being developed by Builders Square, Kmart's San Antonio, Texas, subsidiary.

Builders Design buys two firms

RADNOR, Pa. — Builders Design signed definitive agreements to acquire Carpet Barn, a Nevada-based carpet company, for $7.5 million, and Carpita Corp., a Canadian floor covering retailer, for $38.8 million (Canadian).

Las Vegas-based Carpet Barn in its latest fiscal year earned $2.5 million on $15.2 million sales. Robert Salyard, chairman of Builders Design, said the Carpet Barn acquisition "represents another important step in expanding the Builders Design network of home decorating businesses in the West."

Carpita has 45 showroom and warehouse locations throughout Canada operating under the name "Factory Carpet." Salyard said Carpita's floor coverings base will be expanded to include window treatments, lighting and wall coverings. For its last fiscal year Carpita reported sales of $120.5 million (Canadian) and pretax income of $7.8 million.

Standard Brands income falls

TORRANCE, Calif. — Standard Brands Paint Co. reported net income of $1.53 million on sales of $81.8 million for the second quarter ended July 31. For the comparable year-earlier period, Standard Brands posted net income of $5.34 million on sales of $84.5 million.

Chief financial officer Dan Bane told *NHCN* the company had no idea why Standard Brands shares had unusually heavy trading activity during the week of Sept. 11, with shares gaining about $1 in value on the New York Stock Exchange.

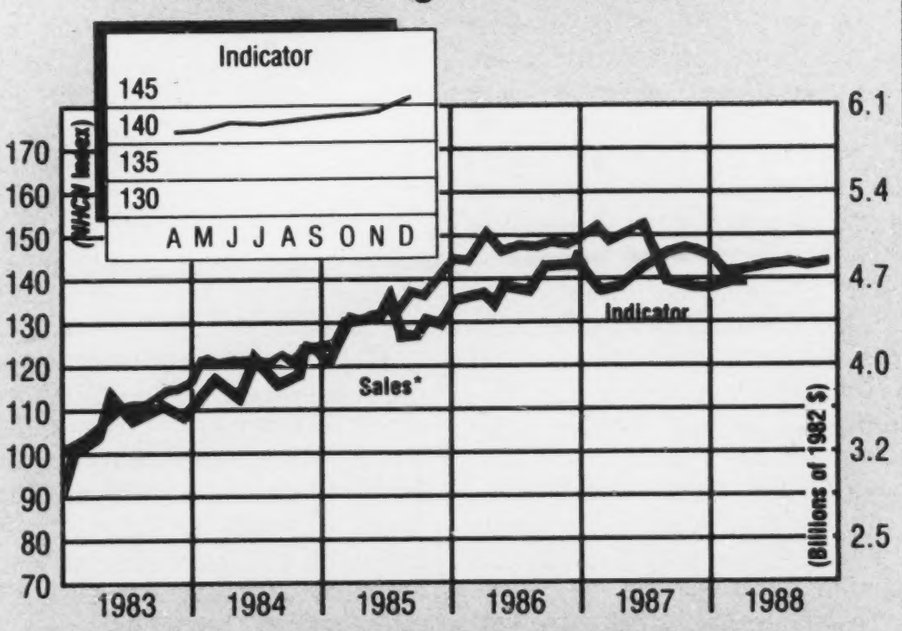
Sabbeth opens DC in south N.J.

DEER PARK, N.Y. — Sabbeth Industries has opened a sales office and distribution center in the southern New Jersey town of Toms River to establish a closer link with its customers in the region.

Stephen Sabbeth, president, said the new facility will offer the full gamut of the company's product lines including Peachtree doors and windows, framing lumber, structural panels and treated lumber.

Sabbeth said the facility will have reload capabilities.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest

The NHCN Leading Indicator is pointing to a small gain in building material sales in the fall due to improvements in resales and incomes. Business Watch highlights the increased use of adjustable rate mortgages which are keeping single-unit starts strong.

For editorial, advertising or subscription information call NHCN's main offices at:

212-371-9400

EDITORIAL: EXT. 229

SALES: EXT. 236

SUBSCRIPTION: EXT. 379 or 419

Available for calls 9-5:30 (E.S.T.)

Tool King branches out; opens three units in Milwaukee area

By an NHCN staff editor

MILWAUKEE — Specialty retailer Tool King made its first move outside its homebase in Denver on Sept. 7 when it opened three units in and around Milwaukee.

Don Cohen, president of the five-unit chain, said the leased Milwaukee sites represented the first move in a long talked-about national expansion that could be a "150-unit chain in the next five years."

Cohen said the chain plans to add as many as 10 more units in 1989, funded by unnamed private investors. Further growth through 1993 would be financed through a public offering, he said.

(Continued on page 89)

NHCN photo

Tool King appeals to the DIYer with brand names and a lower price guarantee, says Jim Geier, Milwaukee market manager.

Investment company says West Building Materials is up for sale

By Milford Prewitt

ATLANTA — West Building Materials is for sale.

According to an investment banking source handling the sale of the 67-unit chain, a "misunderstanding about terminology" led officials of West to imply in a July press release and in subsequent interviews that only "certain assets" of the company were being sold through a private stock placement (*NHCN*, Aug. 8).

"It was clear from the language being used in your publication that there was a misunderstanding," said Nancy Broadbent, vp of mergers and acquisitions for Salomon Brothers, the New York investment firm. "We are selling the company. That's really all there is to it."

While Broadbent stressed that the company is being sold privately, the transaction is not a private placement, generally a mechanism by which privately held companies can raise capital without the disclosure requirements the SEC places on publicly held concerns.

She said there had been "strong interest" to the sale by interested parties. Because the company will be sold privately, potential buyers were carefully screened and selected by West and Salomon Brothers, Broadbent said. The potential buyers were further required to sign a detailed statement of confidentiality, agreeing not to disclose any facts from the offering brochure.

Broadbent declined to state how many potential buyers received the offering, nor would she reveal any details related to the potential worth of the company.

The company stated in its original press release that the chain was selling "certain West-owned assets" in order to expand and to roll out more versions of its superstore concept.

Whether the company's current owners—the West family—would attempt to remain in executive capacities if the company is sold is a question that could not be resolved by press time.

G. Vincent West, president, refused to respond to press inquiries after the Salomon Brothers clarification. His secretary said when there is something new to report, he would do so.

HomeClub could benefit from Zayre sale

By an NHCN staff editor

FULLERTON, Calif. — A HomeClub official expects parent Zayre Corp. to devote more resources to the warehouse home center chain now that Zayre has agreed to sell its discount-store division to Ames Department Stores in a $800 million deal.

Sean F. Lee, the newly arrived ceo at HomeClub (*NHCN*, Sept. 5), expressed exuberance about the Zayre decision to get rid of its ailing discount store chain.

"It is marvelous for us," he told *NHCN*. "We're in a much stronger position because Zayre will now give us more attention and grow its business through us."

The sale also raised the specter that yet another block of suitable real estate will be available to the home center industry in the form of Zayre leases. *The Wall Street Journal* on Sept. 16 quoted Ames chairman James Harmon as saying that between 10 percent and 15 percent of Zayre's 388 stores will be closed in the revamping.

This comes on the heels of Hechinger's purchasing the leases on 47 Bradlees Discount Department Stores on Aug. 16. Hechinger reportedly will convert about half of them to retail use and remarket the remainder.

After the sale, Zayre will own HomeClub, BJ's Wholesale Club, a 17.6 percent minority interest in Ames and an 83 percent equity interest in the TJX Companies, a collection of women's apparel retailers.

Under the agreement with Ames, headquartered in Rocky Hill, Conn., Herbert J. Zarkin will remain as chairman of Zayre Stores. He also was named an executive vp at 348-unit Ames.

Zarkin was chief executive at HomeClub from August 1986 until he returned to Framingham, Mass., earlier this year to head Zayre's discount store division. He was a 27-year Zayre employee.

In another development, Lee said HomeClub would be entering Boise, Idaho, early next year, with a 100,000-square-foot unit.

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Business Watch

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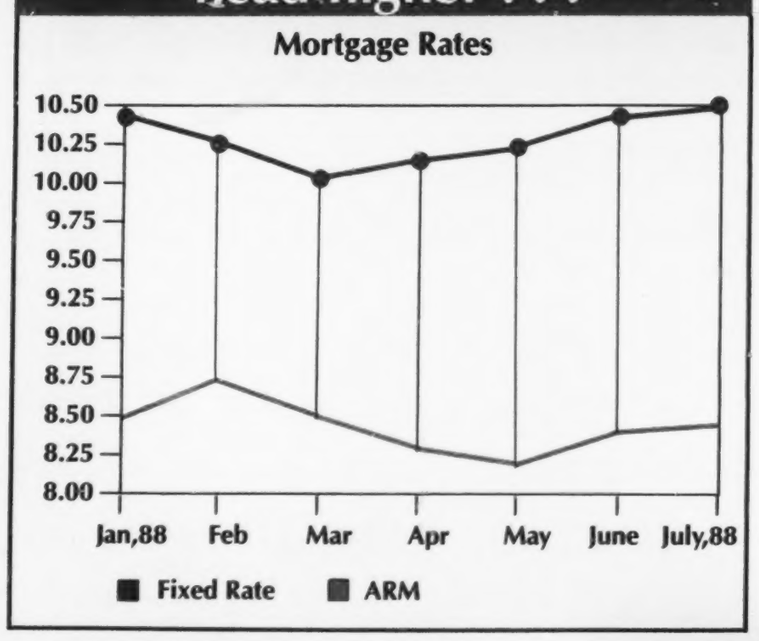
As fixed rate mortgages head higher . . .



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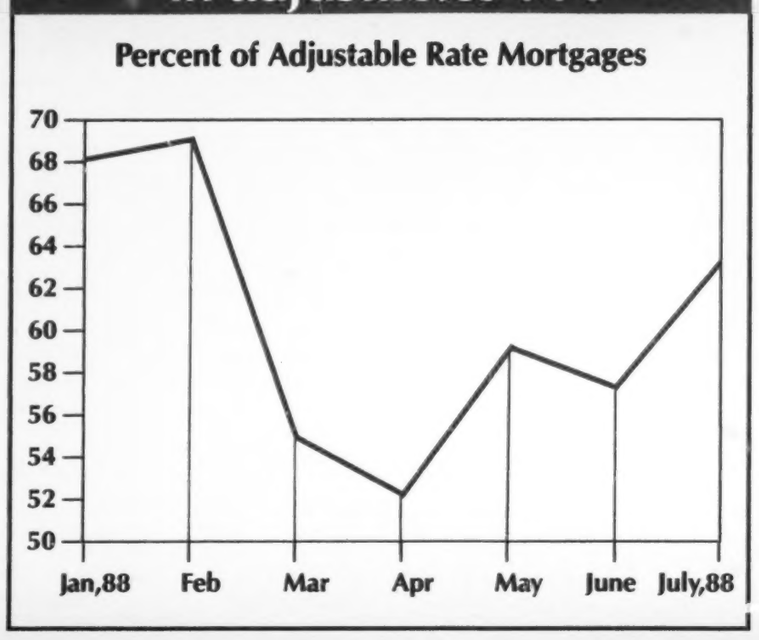

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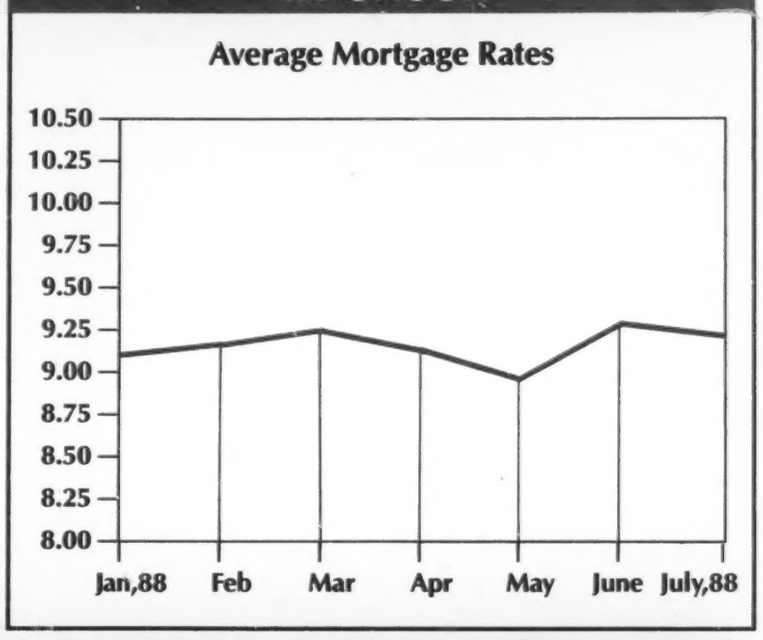


New housing starts will weather bad storms for 1989 gain

By Richard E. Mount
Special to NHCN

Single-unit housing starts continue to weather the storm of rising mortgage rates, keeping contractor building material demand up.

For building material retailers, this strength in single unit starts through next year provides a strong underpinning for sales. For 1988, we expect building material sales to rise 8.1 percent with an additional gain of 6.2 percent for 1989.

Removing the influence of inflation, unit sales will rise 5.2 percent in 1988, 1.1 percent in 1989.

Fixed rate mortgages rose from 10 percent in March 1988 to 10.5 percent in July, yet single unit housing starts remain near 1.1 million. A good explanation for this plateau in starts is the shift by homebuyers to adjustable rate mortgages (ARMs). These mortgages carry lower rates than fixed.

Richard E. Mount

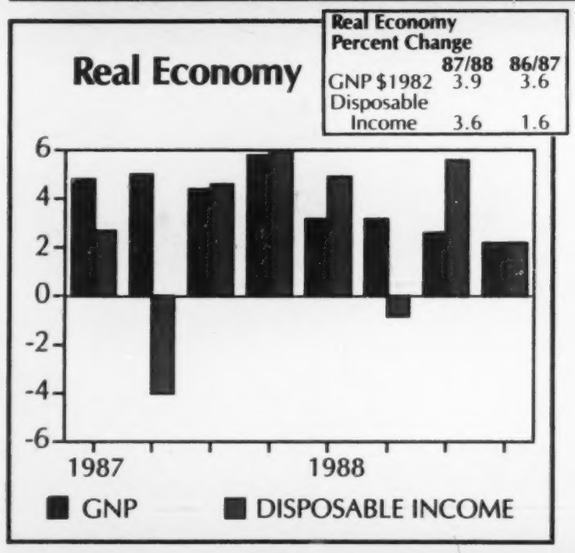
A second factor helping housing is the widening gap between fixed rate mortgages and ARMs since March. Earlier this year, the gap was 1.6 percentage points. Banks are becoming increasingly competitive for ARMs as they try to maintain mortgage market share. The current gap is slightly more than 2 percentage points.

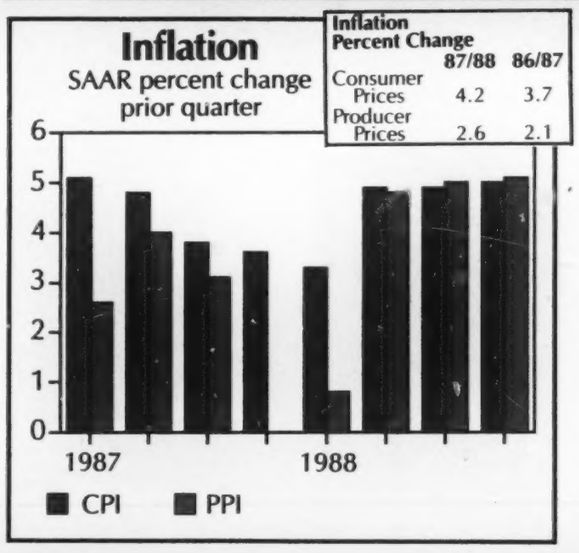
As homebuyers turn increasingly to ARMs, the average mortgage rate, including fixed and adjustable, remained stable because of the higher number of ARMs in the mix. As rates rose in July, the weighted average of fixed plus adjustable rose from only 9.15 percent in March to 9.17 percent in July.

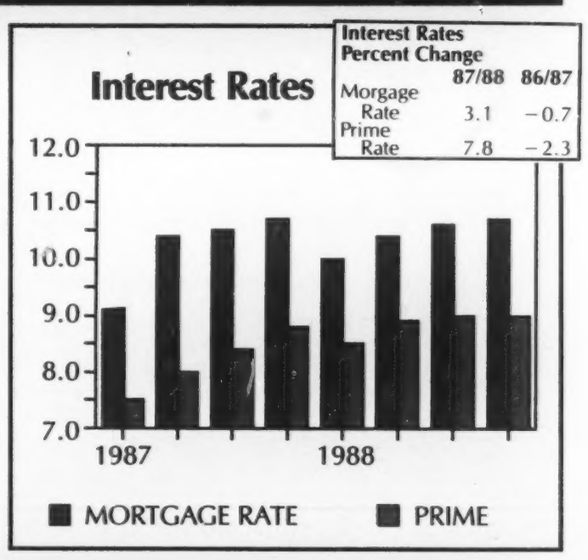
As the housing industry grapples with the twin problems of rising mortgage rates and higher home prices, the use of ARMs will help to keep single unit housing markets strong. For building material retailers, this increased use of ARMs will help to sustain sales to the contractor market over the coming year as mortgage rates continue to increase.

Richard Mount is president and chief economist with Mount Economic Consulting.

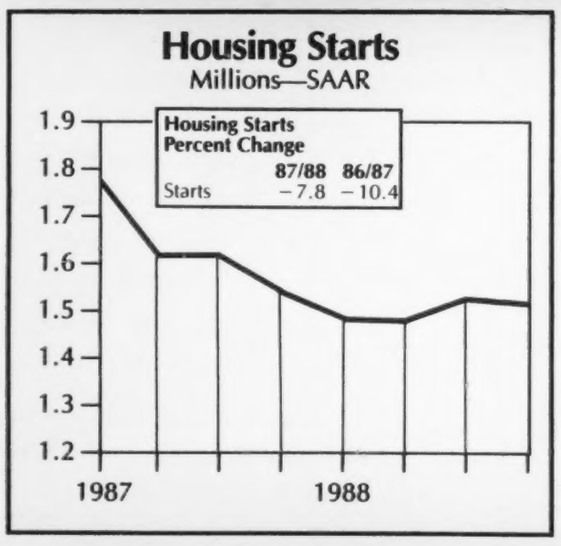
General Business Conditions

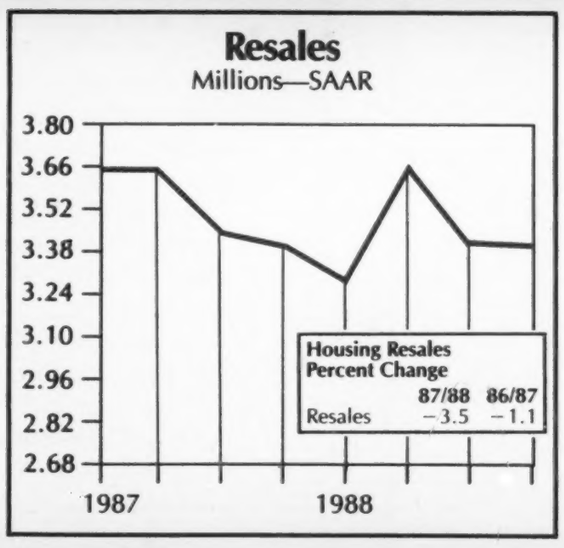


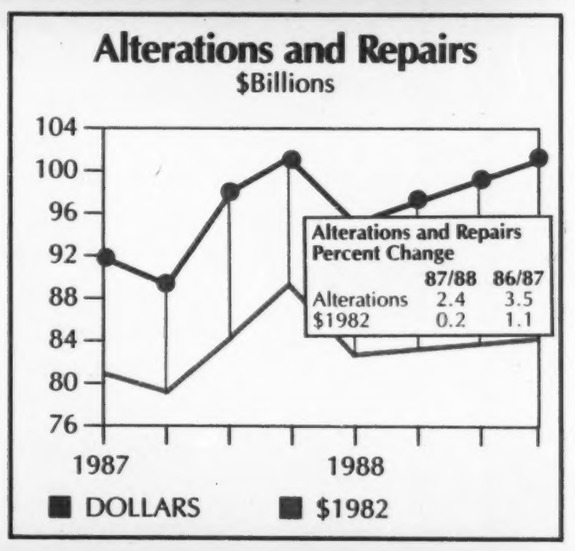




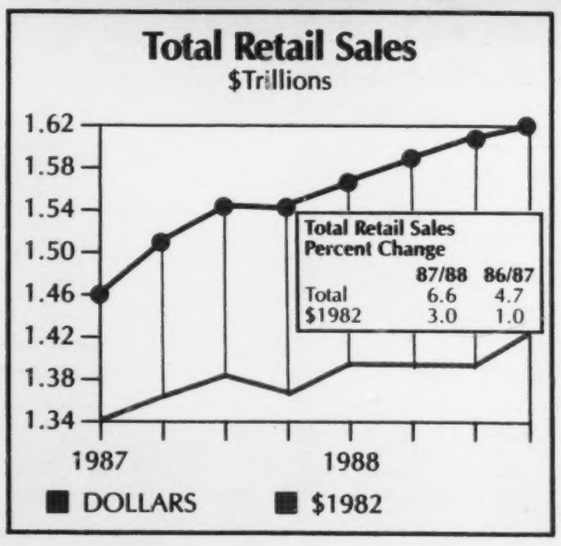
Housing

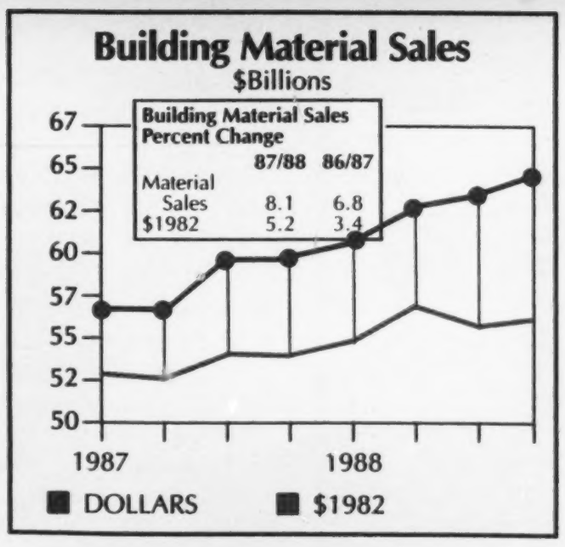


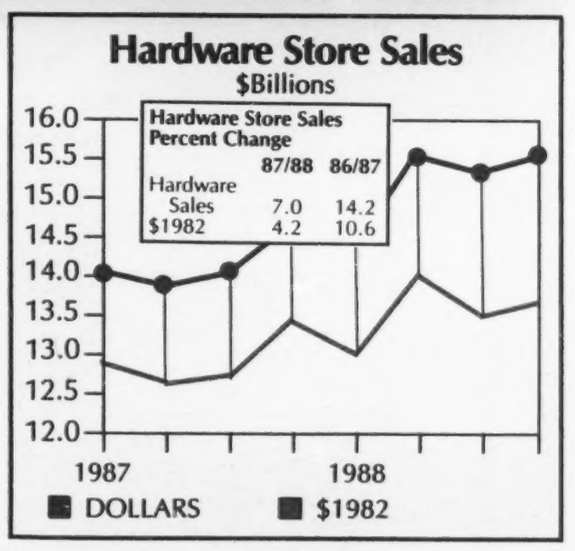




Retail Trade Activity







Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Retailers luring new homeowners through direct-mail

(Continued from page 1)

Although Shields was already a Lowe's shopper, she admits the offer left her with a good feeling. She purchased all of the paint for her new home from Lowe's.

Dealers agree it is to their advantage to reach out to prospective customers who move to a new home or even apartment, since they often become involved with DIY projects.

The promotions usually consist of a letter welcoming the new resident to the neighborhood and coupons for free items and a percentage off the first purchase. A letter that Builders Square sends out also includes a postscript informing the receiver of the nearest location of its store.

"It's always good to introduce people to the store and give them a good feeling so they come back," said Joe Galloway, assistant advertising and public relations director at Scotty's.

The 156-store chain based in Winter Haven, Fla., mailed 5,800 letters a month to new residents between last November and May, which contained a Scotty's credit card application. But that promotion was discontinued when it became difficult to determine how many credit card requests resulted from it, Galloway said.

Scotty's will begin another project probably this month. But this time a percentage-off coupon will be included, making is easier to track and assess the results, Galloway added.

Don Davis, corporate vp of retail sales at Lowe's, agreed it is to the chain's advantage to see how many coupons or discount certificates come back to the store.

Such discounts are not done at the 296-store, North Wilkesboro, N.C.-based chain on a company-wide basis since it is difficult to get the list in some areas, Davis said. If each individual store can obtain a list, it may be used, he added.

Finding a list of people who may have DIY spending power is the key. "Half the battle is getting the right list in a timely fashion," said Dick Hammill, vp-marketing and advertising at the Home Depot, the 88-unit Atlanta-based chain. You don't want a list of people six months after they moved in, he said. The Home Depot is another company that has used such promotions.

Lloyd Home & Building Centers, the 34-unit chain in Danbury, Conn., will look to find these prospective customers next year. Such an advertising program must be monitored closely to determine if it is cost-justified, said Ron Niemiec, director of advertising and sales promotion.

The cost of direct mailing increased 25 percent in 1988 due to postage rates, Niemiec added, which is another factor to weigh in determining if such a program is helpful.

Finding out who these new dwellers are is costly. One official of a Chicago-area retailer that deals with such lists said the minimum cost is $1,800. The more specific the information is regarding demographics, (age, sex, marital status, etc.), the more costly it is. "It is very expensive," the official said.

This particular company bids for the list from the U.S. Postal Service, which compiles it from change of address notices it receives.

Kidder Peabody acquires all Lloyd's assets

(Continued from page 1)

The deal, though, leaves Lloyd's parent, American Maize Products, with a book-value loss of $10 million, according to Edward Norris, vp and chief financial officer of the parent company.

Since American Maize put Lloyd on the block on April 6, its profits have continued to plummet. During the first six months of this year, Lloyd lost $4.5 million on sales of $49.3 million, which follows four years during which the chain lost an aggregate $17 million to $18 million.

"Under the circumstances this was the best offer available, " said Norris.

In American Maize's first-quarter statement it had said that it had "retained Wright Investors Service of Bridgeport, Conn., to seek potential buyers with the resources to purchase and operate the business as an ongoing concern."

American Maize, Wright Investors and Tom Cawley, president of Lloyd, declined to comment on whether the company will continue to operate in any form.

It also could not be determined whether Cawley or any group of Lloyd' executives is participating in this buyout. Over the past 18 months, Cawley has been bringing on his own management team to run the beleaguered company, and was said by knowledgeable sources to have installed a number of operational "systems" to plug the chain's profit leakage.

He was unavailable for comment about whether the most recent earnings loss report was anticipated in the company's long-term strategic plan.

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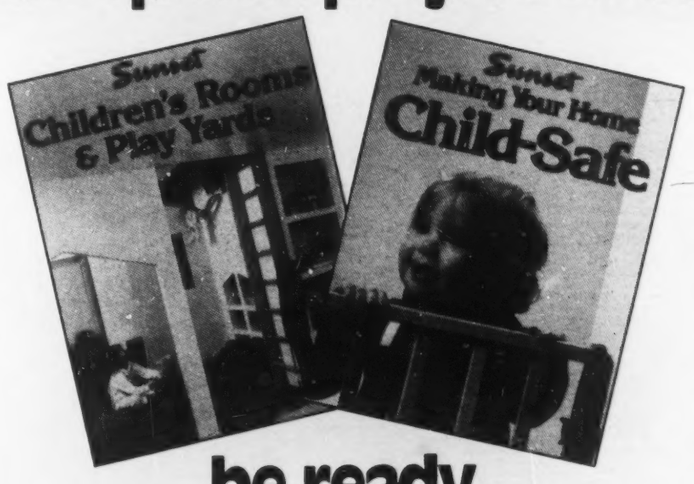

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Home Center News®

Vol. 14, No. 21 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Oct. 17, 1988

Interco Inc. has no plans to sell Central Hardware as part of its restructuring plan. But if the company fails to produce after-tax profits of $1.15 billion, Central might be put on the block. NHCN photo

Central Hardware safe for the moment in Interco plan

By Gary S. Ruderman

ST. LOUIS — Central Hardware is among the companies Interco Incorporated plans to keep in a restructuring and recapitalization plan formulated in the face of a hostile takeover.

But if the St. Louis-based conglomerate is unable to produce aftertax profits of $1.15 billion, one contingency would be to put Central on the block, according to sources knowledgeable about Interco's plans.

In the recapitalization plan to secure a $2.025 billion line of credit from a consortium of banks, Interco proposed on Sept. 20 to sell 14 of its 20 companies for the payback. Interco had sales of $3.3 billion last year.

According to documents filed that day with the Securities and Exchange Commission and confirmed by a spokesman for Interco's senior vp-finance Eugene Smith, Central would remain a part of the new, public Interco. The home center retailer would become part of the new Interco core of Lane Co., Broyhill Furniture Industries, Converse and Florsheim shoe companies.

(Continued on page 55)

Suppliers bite bullet despite hikes in raw material costs

By Edward McKinley

NATIONAL REPORT — Retail prices are following the upward spiral of raw materials costs, but probably won't go high enough to drive away many home center customers.

That's because manufacturers and retailers are making hard decisions to keep down wholesale and retail prices, including the acceptance of tighter margins for every link in the distribution chain.

Almost without exception, manufacturers of paint, electrical products and tools—to name some of the product lines affected by raw material price hikes—said they are absorbing part of the their increased costs.

Those increases, suppliers said, will total 10 to 15 percent this year for steel plate, 50 percent for aluminum, 30 to 40 percent or more for copper, 50 percent for linseed oil, 30 percent for soybean oil, 8 to 22 percent for latex resins and 35 to 100 percent for titanium dioxide, an element used in paint.

Nickel and cadmium have quadrupled to $4 and $8 a pound, respectively, which is having a significant impact on the production of one of the industry's hottest items: cordless power tools.

Reluctant to pass costs on

For some companies, raw material cost hikes present unsavory "either/or" propositions. The Cleveland-based Glidden Co. may be forced to reassess some marketing expenses to compensate for the jump in cost of styrene, a

(Continued on page 55)

Wyeth Co. fighting off vendor lawsuits as sales volume drops

By Gary S. Ruderman

CHICAGO — After more than a year of scheduling debt payments, Wyeth Co., the St. Joseph, Mo.-based hardlines wholesaler, is working again to stave off vendor lawsuits and keep its head above water as declining service levels have adversely affected sales volumes.

Wyeth officials met Oct. 4 here with credit managers representing vendors supplying its marketing group, Liberty Distributors. A similar "informal composition of creditors" meeting in August was held with 16 vendors not supplying Liberty-affiliated distributors.

Last fall, Wyeth president Max Wyeth defended his company's restructuring, including its scheduling of debt payments to 30 percent of its non-Liberty vendors (*NHCN*, Oct. 19, 1987). But now, as explained by Wyeth's independent financial advisor, Michael Lissner of Chicago, Wyeth has accumulated excessive debt that now includes major Liberty program vendors.

Max Wyeth would not specify the amount of payables Wyeth is negotiating. But creditors who met with company officials Aug. 24 were told Wyeth owes a total of

(Continued on page 55)

Diamond Lumber poll shows most builders prefer Bush

By Milford Prewitt

DALLAS — By a ratio of 7 to 3, Diamond Lumber's contractor customers overwhelmingly voted for Vice President George Bush in a presidential straw poll conducted nationwide.

See page 7 for more on Bush and Dukakis

All of the chain's 64 stores served as polling places and some 5,032 votes were cast. The result: Bush garnered 71 percent while Massachusetts Governor Mike Dukakis earned 29 percent.

Dukakis did not win in a single geographic region where Diamond stores operate. His closest and best performance was losing in the Northeast by a ratio of 2 to 1.

Jerold Grubstein, Diamond's president, said the vote should give both presidential candidates a few clues about what the nation's builders are thinking. At the same time, Grubstein said the vote—which received news coverage by local media in the numerous towns where the company operates—gives Diamond Lumber a unique opportunity to advance the positions of its contractor customers.

(Continued on page 56)

In tool belt battle, synthetics and leather net equally strong sales

By Tom Bagsarian

NATIONAL REPORT — The purpose of tool belts has not changed over the years. But the products themselves recently have undergone enormous transformations.

Merchandising

A classic struggle is already underway that pits old versus new, traditional against modern, and more specifically, synthetic versus leather. Belts made of denim, nylon and other materials are appearing with regularity at retail, giving contractors and DIYers more of a choice in quality and price point.

However, while suppliers and dealers believe there is room for these products made

(Continued on page 56)

Dealers are finding that synthetic tool belts sell just as well as traditional leather. NHCN photo

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Summer fires shouldn't affect forest products 54

NEWSBREAKS

BLACK & DECKER MOVES INTO JAPAN: The world's largest power tool maker, looking to penetrate Japan's $500 million tool market, entered into a marketing and distribution pact with Shin-Daiwa Ltd., a producer of two-cycle engines and electric tools. B&D, which closed its own Japanese sales office in 1981, will have Shin-Daiwa's 200-man sales force market around 24 of B&D's industrial tools for summer shipment and intends eventually to triple that number, said vp-public affairs Barbara Lucas.

INDUSTRY UPDATE

New York investment group ponders bid for Wickes Cos.

NEW YORK — The Blackstone Group, a New York investment group specializing in friendly takeovers, may offer $13 to $15 per share for Wickes Cos., the Santa Monica, Calif., corporation, according to knowledgeable sources quoted in *The Wall Street Journal*.

Two months ago, a group led by Wickes' management said it would take Wickes private in a $573.8 million buyout that included paying $12 per share for 83 percent of the company's common stock. It left the door open, though, for other bidders but has had trouble drumming up investor interest, reported the *Journal*.

The newspaper quoted one investor who said there were questions about Wickes' future profitability in light of its more than $2 billion in debt. In addition, "scores" of potential buyers have balked at the $16 to $18 per share that Bear Stearns, the investment banker handling new bids, was initially asking for the company.

T.H. Rogers closes 40-yr.-old unit, builds new facility

OKLAHOMA CITY — Adjusting to changes in a lackluster economy, the T.H. Rogers Lumber Co. is closing its 40-year-old Lebanon, Mo., store and moving into a new 8,000-square-foot, four-acre unit one mile away that executive vp and general manager Bill Payne hopes will be open by Nov. 1.

The current downtown Lebanon store does about 65 percent in DIY business and Payne hopes to increase that DIY share at the new facility by offering a broader product line and more parking spaces.

An advertising campaign will also be used to draw this segment, he added.

T.H. Rogers operates 27 stores in Oklahoma, three in Missouri and one in Arkansas.

While that area of the country is suffering due to the recent performances of the oil and farm economies, Payne added that there has been "a little improvement this year."

Payne also expects 1988 sales to reach $25 million, while as recently as four years ago annual sales were $30 million.

Coast board of directors ponder $37M acquisition proposal

DENVER — Outside directors on the CoastAmerica Corp. board of directors have begun to consider a $37 million acquisition proposal from New York investment firm E.M. Warburg, Pincus Capital Co., L.P.

Executive vp and cfo James R. Holland Jr. said he does not know how long it will take the independent committee to make a "recommendation to the full of board of directors and the shareholders."

He said the committee's decision will be based on its "review of the proposal and deliverance of a fairness opinion by an independent investment banker," Atlanta-based Robinson Humphrey.

CoastAmerica notified the SEC in September that it was approached by the Warburg Pincus investment firm which said it wanted to take control of about 47 percent of outstanding shares (*NHCN*, Oct. 3). The deal would essentially take CoastAmerica private.

Purchase makes Wickes plc major player in British market

LONDON — Wickes plc is scheduled to pay between £235 million and £240 million for the Hunter Group on Oct. 7, £178 million of which will be in new shares.

The purchase transforms Wickes plc into a major player in the British home improvement industry.

The acquisition (*NHCN*, Sept. 5) gives Wickes 180 contractor-oriented stores to complement its 43 English stores, and control of one of Britain's major importers and distributors of lumber and plywood.

"We are looking forward to generating the benefits of the transaction and working together with Hunter," said Henry Sweetbaum, chairman of Wickes plc in a telephone conversation with *NHCN*.

Wickes is already negotiating to sell off eight of Hunter's non-timber related businesses which, have an estimated value of £52 million.

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Scotty's closes bargain outlets for reasons of profit, philosophy

By Milford Prewitt

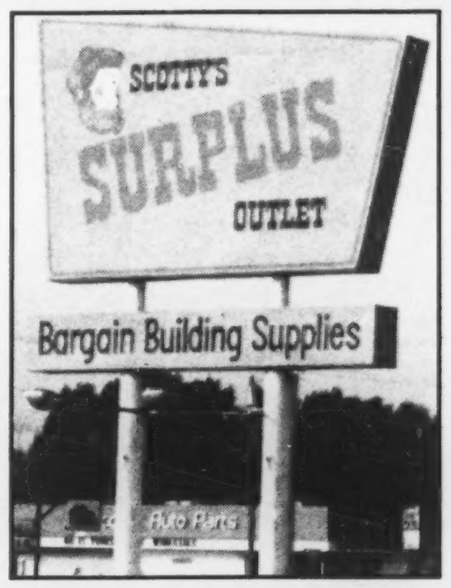
WINTER HAVEN, Fla. — A five-year-old experiment at Scotty's is coming to an end with the company's shuttering of its bargain outlets.

Disappointed with the units' performance and worried that the concept marred Scotty's principal retailing philosophy, management is closing out its two Factory Outlet Warehouse units and will sell the real estate.

The Factory Outlet Warehouses were located in St. Petersburg and Winter Haven, Fla. The employees will be absorbed into traditional Scotty's units.

Richard Martineau, executive vp, said the 156-unit chain had been operating bargain outlets for the past five years and at one time had as many as five such stores running.

He said from its inception the bargain outlets always were viewed as an experiment within the company. While the operations provided a quick and easy outlet for slow-moving merchandise and gave the company a chance to take on deals from closeout specialists, the value of the operations came into question.



Scotty's is ending a five-year experiment by closing its bargain outlets. NHCN photo

The promotions that were run at Scotty's full-line units drew more customers and were more effective than the lure of the closeout pricing at the Factory Warehouses, Martineau indicated.

He said sales and profit at the two remaining factory outlets were too marginal to justify the units' continuation.

"They just didn't generate the sales volume we wanted," he said. "Both were profitable, but only marginally so."

But beyond that, the uncertainty of maintaining the depth of product through closeout merchandising created some identity problems," Martineau said.

"I don't think the customers had the confidence that they could always depend on finding the items they wanted," Martineau said. "You run into an image problem when you can't provide a consistent offering. It's one of the marketing problems with the concept.

"To try and overcome that, we advertised and promoted and it just got to be too expensive."

The decision to close the Factory Warehouses comes at a time when Scotty's is looking to find ways of streamlining its operations. It has restructured its management team and is evaluating several facets of its business to bolster sales and earnings, which have been modest in recent years.

O'Malley increases contractor emphasis

By Brad Altman

PHOENIX — Troubled O'Malley Lumber Co. closed two retail stores here and in Tempe, Ariz., last month, lowering its unit count to 11 in Arizona and Texas.

The lumber company's retail operations are "looking for a return to profitability," president Ted O'Malley said. He added that "discontinuing or consolidating some other operations" is under review.

However, the O'Malley executive denied reports that the company plans to exit DIY retailing. O'Malley's nonretail businesses include a wholesale building supplies distribution company and a glass and millwork company.

"We are decreasing our emphasis on consumer and increasing our emphasis on contractor," O'Malley said. "Contractors are where our strength is."

Phoenix observers say that O'Malley has suffered by the invasion of warehouse operators to the desert market. HomeClub opened a unit next to a Price Club in Glendale, Ariz., in early September. O'Malley said Phoenix is "overstored" with DIY operators which include The Home Depot, Payless Cashways and Wickes-owned Ole's.

The shuttered retail store in Phoenix was located at 35th Avenue and Bell Road. The closed Tempe unit was a dual contractor-consumer yard.

NHD takes on new name; will open DC

By Elizabeth Brent

STOUGHTON, Mass. — The adoption of a new name, NHD Stores, is just one of the many changes taking place at the former National Hardgoods Distributors, as it strengthens its operations in the New England market.

The 31-unit chain, which added three stores this fall, has six more slated for 1989 including three in the Manchester, N.H., area.

In addition, it will open a new 115,000-square-foot distribution center by January with the capacity to serve a total of 45 stores with room on site for further additions.

As it seeks a clearer image NHD Stores changed its name in July and is refining its merchandise mix to accentuate hardgoods. It has totally eliminated linens and cut back on giftware and automotives while broadening its offering in paints, tools and electricals.

This new focus, together with a sharpening of its print advertising, helped the chain's sales increase by 11.6 percent in the first six months of 1988 to $25 million. This represented a 9.3 percent increase on a comparable store basis.

The new DC in Franklin, Mass., will more than double NHD's existing warehouse space servicing Rhode Island. Its site just off Route 495 gives NHD Stores better access to its store network than its two Rhode Island warehouses.

It will also improve buying power and boost direct factory purchases from 50 percent to 75 percent of its mix, according to Sheldon Woolf, the chain's president.

"We will have a better procurement of foreign imports," said Woolf. "We've never had the facility to allow buying in the most economic way."

This fall NHD Stores opened in Newton and Brockton Mass, with one store in Manchester, N.H., scheduled for Nov. 6.

"The real estate situation is encouraging. There is now an inventory around. We can be more selective and get store prices and the area that works well for us," said Woolf. He attributes this improvement to the slowdown in expansion by specialty clothing retailers.

Construction has already begun on the three stores slated to open in the spring in Raynham, Mass., south of Boston; Plymouth, Mass.; and Cumberland, R.I. In addition NHD Stores is negotiating leases for three stores in southern New Hampshire.

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Synthetic and leather tool belts net equally strong sales

(Continued from page 1)
from modern materials, they also think leather will hold its own since people are slow to change their buying habits, especially professionals.

McGuire-Nicholas, the City of Commerce, Calif.-based supplier with more than 50 percent market share in the category, this summer became the official licensee for Wrangler, the blue jeans manufacturer, and will supply a cotton denim belt bearing Wrangler's label for this Christmas buying season.

McGuire's senior vp Peter Wallace described the association as a deliberate attempt to capture the blue collar customer familiar with Wrangler products. "Both [companies] have such good brand recognition, so it's a good match."

Less expensive material

Another new item popping up in home centers is a tool belt made of Cordura Plus, a nylon fabric designed by DuPont., which is seen as lighter, stronger and more comfortable to wear than leather.

Jim Matson, product manager at Vermont American of Lincolnton, N.C., which is distributing this product, said Cordura Plus is also less expensive than leather. "Old school fellas say leather's better, but people are always willing to try something different," he added.

An increase in the price of leather has made these new materials more attractive, according to Mike Dancyger, president of Custom Leathercraft in Los Angeles, a supplier of tool belts which also makes Cordura belts.

But deep penetration of these products into what is a very conservative tool market was disputed by Dancyger and even those suppliers bringing out synthetic lines. Wallace and others didn't think the introduction of new materials for tool belts would hurt leather sales badly.

Builders prefer leather

National Lumber & Supply, the 20-unit home center chain based in Fountain Valley, Calif., is one chain that will soon offer nylon tool belts to its customers.

However, the chain's hardware buyer Tom Connell doesn't anticipate a major shift in sales. "I don't think it's going to take over leather," he said. Although National caters heavily to DIYers, Connell sees contractors sticking with leather belts because "it's more traditional."

Jim Foley, tool manager at the single-unit Knecht Lumber Mart in Rapid City, S.D., added that contractors in his market would stick to "top of the line" leather. He noted, though, that DIYers may be tempted by new materials since they tend to look more at price than quality.

Tool belts, say dealers such as Rick Hecht, vp at the single-unit Community Do-it Center in Maryland Heights, Mo., are planned purchases more than impulse buys and pros usually buy more expensive belts in their second purchases.

Don Brewer, hardware and tool buyer at the 34-unit Lloyd Home & Building Centers of Danbury, Conn., said a contractor who uses a tool belt five days a week wants one to last a long time, while a DIYer "needs something to hold a hammer or screwdriver while he works on a project in his house."

Contractors usually do not run to their nearest home center when they see their tool belt is becoming rough around the edges. Connell of National Lumber said, "I've seen tool belts at job sites that are probably older than I am."

Diamond poll finds builders prefer Bush

(Continued from page 1)
"It's difficult to get into the minds of builders," Grubstein said. "But we know they have some strong opinions. For Diamond [the vote] was important because it was our way of serving our customers and giving our customers a voice."

Voter registration the goal

Wayne Nalls, Diamond's vp-marketing, said the mock election, which was held Oct. 4 between 5 p.m. and 8 p.m., was designed to excite Diamond's professional shoppers about the November election and to sign up those who weren't registered to vote.

The company mailed more than 35,000 invitations to contractors to ask them to participate in the "builder Presidential preference poll." Invitations to both presidential campaigns for the candidates or their representatives to address builders at store locations in Sacramento, Calif. or Bedford, N.H., were not accepted.

"It's important that both candidates pay attention to builders because they have concerns about interest rates, housing starts, low-income housing," Nalls said. "These are issues that have a lot to do with their livelihoods and the economy."

Nalls said the company was projecting about 10,000 contractor votes, but was satisfied with the 5,000. Voting officials throughout the country registered 225 builders.

Bush won in every geographic region where the company operates. But what surprised Nalls and other company officials was Bush's showing in the East, where he earned 64 percent of the vote and Dukakis 36 percent.

Other regional results were:

- Florida and the Southeast: Bush 65.9 percent/Dukakis 34.1 percent
- The Central Region (Kansas, Wyoming, Missouri, Colorado): Bush 71.9 percent/Dukakis 28.1
- California and the West: Bush 77.1 percent/Dukakis 22.9 percent.

Nalls said in some stores, particularly in California, some builders took umbrage at being asked whom they were voting for. And in other regions, particularly in New England, the company encountered some legal roadblocks registering people in the store and abandoned the effort.

But voting was spirited in other locales. Nalls said in a Lincoln, Mo., unit a store manager put an actual tree stump on the showroom floor so representatives from both parties could have a stump from which to debate.

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JUN 89HC

National
Home Center News®

Vol. 14, No. 22 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Oct. 31, 1988

THE STOCK MARKET CRASH
Largest Industry Losers—One Year Later

Company	Closing Price Oct. 18, 1987	Closing Price Oct. 19, 1987	Closing Price Oct. 17, 1988
Grossman's	7⅜	5⅞	5⅝
General Bldg Prod.	8¼	7½	4⅜
Hechinger A	18¼	17	17¼
Home Depot	20	15½	28¾
K mart	34	25½	37
Lowe's	22½	19¼	22⅛
National Lumber	4¾	4½	2⅝
NHD Stores	6½	5½	7½
Payless Cashways*	16	12⅝	26⅞
Pay 'N Pak**	18½	16⅛	15¼
Scotty's	13⅞	12	12½
Standard Brands	23½	17½	15
Strober Organization	11½	9¼	9½
Wickes Cos.	14⅛	12½	7⅞
Wolohan Lumber	12¾	11½	15¼
Zayre	24¾	15⅝	26⅛

*On Oct. 7, 1988, when management took the company private in an LBO.
** On March 22, 1988, when PNP Prime, a holding company, took over the company in an LBO.
Source: *The Wall Street Journal* NHCN chart

Despite some drastic losses during Black Monday, Oct. 19, 1987, some industry stocks have recovered well, particularly Home Depot and Zayre. Others have remained somewhat flat since last year, while a few have continued to sink.

Pay 'N Pak unveils future plans, redesign to vendors

By John Caulfield

KENT, Wash. — The future of Pay 'N Pak as a private company will revolve around the operation of home centers that place greater emphasis on customer service, in-store merchandising and display, and the generation of higher gross margins.

The was the message more than 200 vendors heard during a presentation delivered by five Pay 'N Pak executives on Oct. 12, detailing where the 100-plus unit chain was headed financially and operationally over the next several years.

The convocation gave Pay 'N Pak officials a chance to showcase the chain's new store redesign format that is moving the company away from warehouse-style retailing to which it converted the bulk of its units two years ago.

The new concept was first installed into the company's Aurora, Wash., unit last November and has since been placed into 21 of Pay 'N Pak's stores. Over the next two years, the majority of Pay 'N Pak's stores will be converted from their current warehouse format to the new design, according to company officials.

The concept employs a new blue, gray and maroon color scheme, bold neon department signage, and greater emphasis on merchandising vignettes and home decor products. Conversely, lumber and building materials, while not eliminated, have been deemphasized, thereby presenting a shopping environment more conducive to female shoppers and higher-margin products. (*See story, page 55*).

"The stores are very sharp, beautiful," said John Mawdsley, director of national accounts for Skil Corp., which is Pay 'N Pak's exclusive power

(Continued on page 55)

Rickel opens newest store in the heart of a Bronx neighborhood

By an NHCN staff editor

NEW YORK — For many Americans, the Bronx means crack dealers peddling vials of death. It means skeletal, abandoned tenements, vacant lots steeped in filth, idled factories and grinding, hopeless poverty.

Yet, a Bronx of another sort awaits the traveler who ventures to the northeastern reaches of the New York City borough. There, surrounded by well-maintained, single-family houses and small, respectable apartment buildings rise the 25- and 33-story towers of Co-op City, a state-subsidized, middle-income housing complex of 15,000 apartments and 60,000 inhabitants.

The towers of the Bronx's Co-op City rise behind this newest Rickel store. NHCN photo

And amid the densely peopled brick spires, in the first phase of a one-story, suburban-style mall, stands the newest Rickel Home Center.

The 52,000-square-foot store's wide, well-lit aisles, abundant parking and well-stocked shelves might seem usual enough to most Americans, but the store has come as a revelation to Bronx shoppers accustomed to small, cluttered, high-priced, urban mom-and-pop hardware stores.

"It's been very enjoyable watching the response from the Co-op City folks," said Chuck Davis, president and ceo of the South Plainfield, N.J.-based 52-store chain.

(Continued on page 56)

Crash's aftermath proves dire predictions mistaken

By Edward McKinley

NATIONAL REPORT — Dark clouds massed on the horizon a year ago as the Dow Jones Industrial Average plunged 508 points in a single day's frantic trading, deflating the value of home center stocks by an average of 22 percent.

The storm passed over, though, leaving most home centers unscathed. Business lagged only briefly—if at all— as the economy chugged along merrily despite dire economic forecasts. In time, most stocks rebounded.

Stock prices fell low enough to force some executives into using leveraged buyouts to fend off takeover attempts, but most public companies stayed on the exchange and the industry's reputation was unhurt on Wall Street, observers said.

The typical home center customer apparently was unfazed by the teeth gnashing in the world's financial markets over history's most precipitous stock price decline.

Ron Brill, cfo for the 88-unit Home Depot, said the Crash had "no effect" on the markets where the chain operates.

(Continued on page 56)

John's Lumber sends employees packing . . . on a company cruise

By an NHCN staff editor

MT. CLEMENS, Mich. — John's Lumber is going on a cruise.

In January, John's two yards will close for a week. Instead of taking inventory, the 46 employees and families will bask in the sun on a well deserved, company-paid vacation in the Caribbean.

Last Christmas, president Michael Aggeler challenged employees to beat 1987 sales of $10.4 million. The campaign, called Teamwork '88, included every employee who

(Continued on page 56)

Vinyl pleated blinds 'next big thing'?

Merchandising

By Edward McKinley

NATIONAL REPORT — Window treatment suppliers are readying a possible successor to the formerly red-hot vinyl miniblinds.

Industry sources said they are looking cautiously to inexpensive vinyl pleated shades as the "next big thing" in stock merchandise.

Suppliers want to bring the Asian-made shades to the mass market, capitalizing on the success of more costly polyester pleated shades in the custom market.

To realize that goal, the industry faces the chore of introducing consumers to the relatively unknown vinyl product, a project that suppliers said could require a year and a half of advertising and store displays.

(Continued on page 58)

INSIDE

Home Fashions: Phil Lombardo, president of the Floor To Ceiling unit in South County St. Louis, consults with two kitchen installers. As home centers diversify into home fashions, they will find themselves going head-to-head more frequently with specialty operations like Floor To Ceiling that offer strong in-store presentations, expert service, and appeal broadly to female shoppers.

NEWSBREAKS

HECHINGER CLARIFIES BRADLEES STORE SALE: The Landover, Md., chain said a real estate consultant's bid sheet, which offered "any and all" of the 47 units it purchased from Bradlees in August, misstated the company's intentions. A Hechinger spokesperson reiterated that the chain intends to retain half of these stores and to begin converting them to Hechinger units in the near future. Parties interested in the Bradlees units have until Nov. 4 to make bids on the available sites.

INDUSTRY UPDATE

Hechinger elects outsiders

LANDOVER, MD. — For the first time in its 77-year history, Hechinger has elected two outsiders to its 13-member board of directors.

Herbert J. Broner, chairman, president and ceo of Mohasco Corp., and David O. Maxwell, chairman and ceo of The Federal National Mortgage Association, better known as Fannie Mae, were recently elected at the company's annual meeting here.

Broner has led the New York-based Mohasco Corp. since 1983. The company is a Fortune 500 industrial producer in the consumer durable goods line, primarily furniture and carpet manufacturing. Broner is also director of the American Furniture Manufacturers Assoc., a member of the advisory board of Manufacturers Hanover Trust Co., and a member of the Dallas Market Center Furniture Advisory Board of Governors.

Maxwell has served as chairman of Fannie Mae since 1981. He serves on the boards of Kaufman and Board Inc., and Kaufman and Board Home Corporation and the Urban Institute.

Interco rejects Rales' cash bid

ST. LOUIS — Interco rejected a $74-per-share bid on Oct. 20 and instead boosted dividend payments to shareholders.

The bid, made by Stephen and Mitchell Rales, was said to be inadequate by Interco, whose board approved a securities payout to shareholders of $38.80 per share in cash and debentures. Interco earlier announced its own recapitalization plan that it said would be worth $76 per share to stockholders.

Interco chairman Harvey Saligman recommended that shareholders reject the all-cash bid, although Wall Street is said to prefer the hostile tender offer made by Washington-based Cardinal Acquisition Corp., the Rales' investor group. Cardinal has been trying since late July to acquire the St. Louis-based Interco.

Interco is the parent company of retailer Central Hardware and wholesaler Witte Hardware.

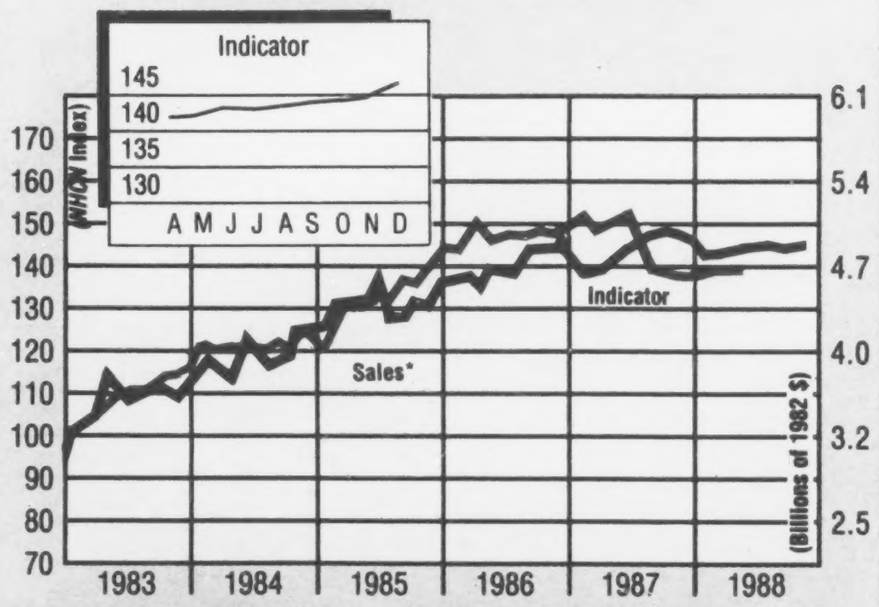
USG to sell Masonite subsidiary

CHICAGO — As part of its core restructuring plan, USG Corp. agreed to sell its Masonite Corp. subsidiary to International Paper, based in Purchase, N.Y., for approximately $400 million in cash. The deal should close Oct. 31.

Masonite, maker of composite wood products for home construction and furniture, posted $529 million in sales last year with about $58 in pretax earnings. International Paper, the world's largest paper and pulp producer, said it was interested in the company to bolster its presence in the wood products market.

USG, under pressure to recapitalize in the face of a hostile takeover attempt, additionally intends to sell its Kinkead Industries, the Marlite Division and USG's construction metals business.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest

The NHCN Leading Indicator is pointing to a small gain in building material sales in the fall due to improvements in resales and incomes. The Business Watch Column highlights the improved prospects for capital spending in 1989.

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Shareholder vote takes Payless into ranks of private companies

By Gary S. Ruderman

KANSAS CITY, Mo. — Payless Cashways has quietly slipped from the list of publicly held home center retailers.

Payless chairman David Stanley led a five minute special shareholder meeting Oct. 6, where, by proxy, more than 97 percent of Payless' shareholders reportedly approved the merger between the public Payless Cashways and the private PCI Acquisitions, the company formed by the management-led buyout group.

The day after the special meeting, Payless disappeared from the New York Stock Exchange (NYSE). The company began trading over the counter in 1969 and switched to the NYSE in 1981.

Payless could go public again, Stanley told the *Kansas City Times*, because Payless' equity partners in the buyout "expected a return on their investment in . . . a medium-time horizon."

By going public again, Stanley said, Payless could finance future needs without taking on more debt and current investors would have a market for their stake in the now-private company.

So far, 750 employees have been fired and 10 stores closed as Payless pares expenses to pay its $1.1 billion debt. No additional cuts are expected.

While the company will shift its market strategy to gain greater professional sales, what effect this new approach will have on the merchandise mix and the advertising of the 193-store chain is still up in the air, according to a company spokeswoman.

David T. Mayberry of Grossman's investor relations dead at 41

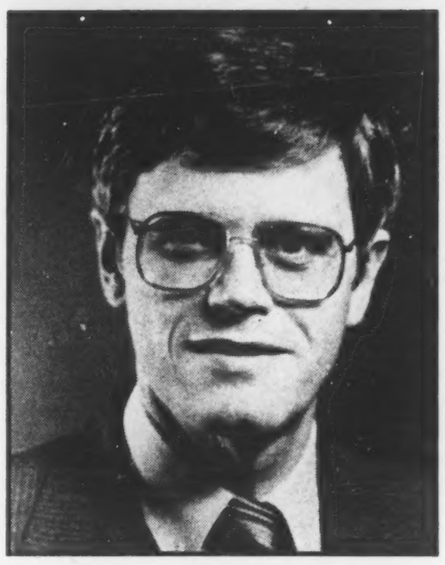
By an NHCN staff editor

BRAINTREE, Mass. — David T. Mayberry, Grossman's investor relations manager, died suddenly on Oct. 10. He was 41.

Mayberry was rushed to South Shore Hospital in Weymouth, Mass., by his wife, Donna, in the early hours of Monday morning after she noticed he was having trouble breathing. He died shortly afterwards.

"David was with us for only 11 months but in those months did an outstanding job," said Stanley Berman, executive vice president at Grossman's. "He was well liked by his fellow employees and made a very good impression on outside analysts. We are all going to miss him."

Before joining Grossman's, Mayberry was a business editor at the *Worcester Telegram*



David T. Mayberry

Photo courtesy of Worcester Telegram & Gazette

and Evening Gazette from 1976 to 1987. Previous to that he was a reporter. He joined the newspaper in 1970 after serving as a first lieutenant in the Army Signal Corps in Thailand for two years.

Mayberry graduated *cum laude* from the University of New Hampshire in 1968. He was an Alfred P. Sloan Fellow in economic journalism at Princeton University in 1975 and a Joseph E. Hughes fellow in commercial banking at Rutgers University in 1979.

He was a former moderator at the Unitarian Universalist Church of Worcester and had previously served as director of the Worcester County Poetry Association.

He is survived by his wife, Donna; son Andrew, 11; father Raymond; and brother Paul.

Donations may be made to the Andrew Mayberry Education Fund, the Organ Fund of the Unitarian Universalist Church in Worcester, Mass., or the University of New Hampshire Development Office, Durham, N.H.

East Coast Lumber aims for more retail business as founder leaves

By an NHCN staff editor

EAST HAMPSTEAD, N.H. — With the departure of its founder, Marty Feuer, on Oct. 5, East Coast Lumber is intensifying its focus on its retail business.

The three-unit independent is selling off its associated businesses in saw milling and has disbanded its import company. It now will concentrate its management and resources on developing its kitchen, bath and millwork business in existing locations to target the remodeler and the consumer.

Feuer sold his share of the company and Argus Holdings, which ran associated businesses, to Peter Lewis for an undisclosed amount.

"I just felt it was time to pursue other interests, probably marine-oriented consulting," said Feuer, a former sea captain who had been Argus' and East Coast's president.

Marty Feuer, a former sea captain and founder of East Coast Lumber, left the company to pursue other interests, including marine consulting. NHCN photo

The 12-year partnership has weathered some differences between these contrasting personalities. Feuer was more of a risk taker, keen on developing new businesses, while Lewis—whose origins lie in home building—was more of the steady, silent partner. Lewis previously spent more time with his home building than East Coast Lumber, but is now taking an active part as president. He was unavailable for comment.

Lewis will face the challenge of adapting the 70 percent contractor-oriented company to a rapidly changing customer base.

East Coast has laid off 40 people since August, including seasonal workers and others, as a means towards a corporate streamlining but also in response to the slowdown in home building in southern New Hampshire.

Steve Lowe, a vp at Argus Holdings, estimates that the housing market is down between 20 percent to 25 percent this year from 1987.

(Continued on page 56)

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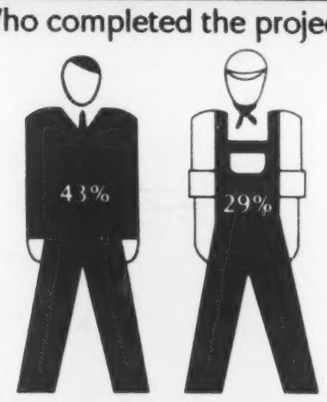
Install Floor/Ceiling Tile

Who initiated the project?

Who influenced what was bought?

Who made the purchase?

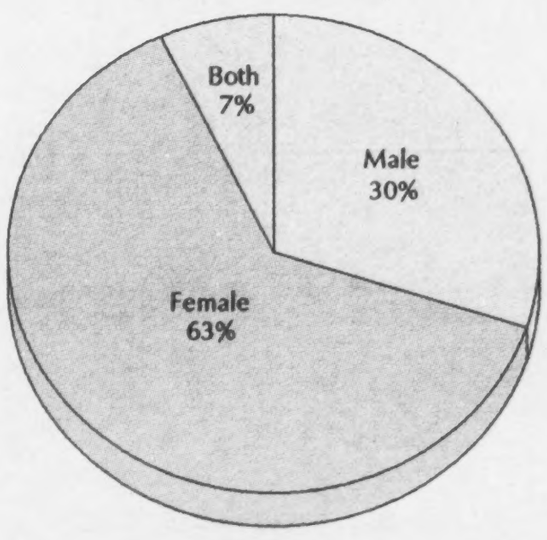
Who completed the project?



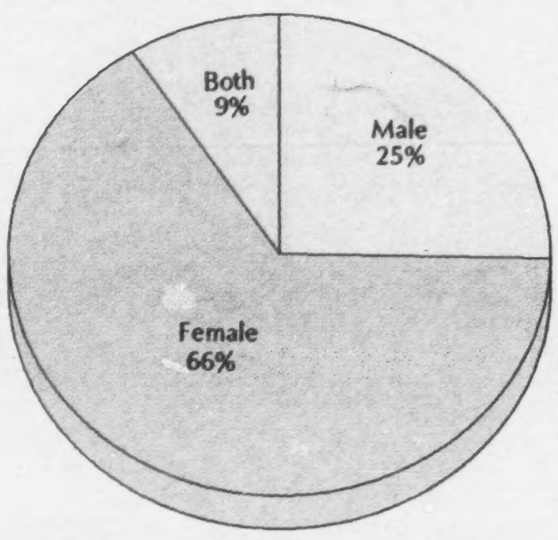
When it comes to installing floor or ceiling tiles, the female clearly plays the dominant role when it comes to initiating the project and influencing what is bought, at 55 percent and 64 percent respectively. The male and the female both have about an equal role in actually buying the product. But because of the greater strength sometimes required for these jobs, the female's role is much smaller in completing the project, with the male (43 percent) or a professional (29 percent) often doing the work.

Paint A Room

Who initiated the project?



Who influenced what was bought?



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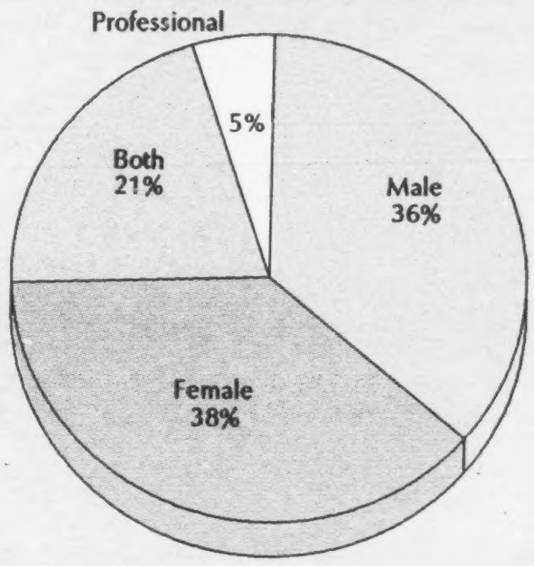
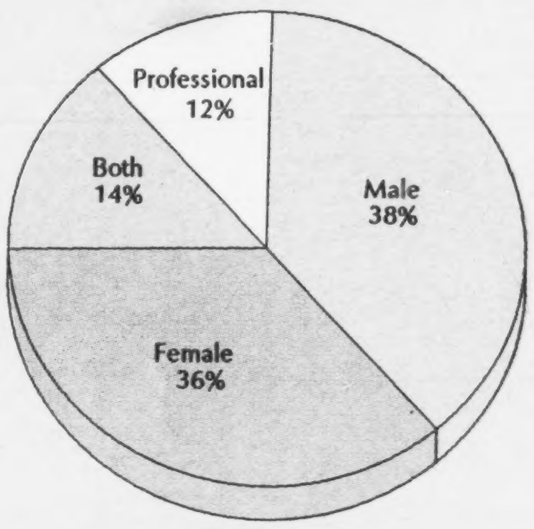


Who completed the project?



HOME FASHION PROJECTS

Who initiated the project?

	Male	*Female*	*Both*
Paint a room	30%	63%	7%
Wallpaper a room	8	84	6
Install carpeting	23	70	6
Install floor/ceiling tile	35	55	8
Install paneling	43	42	15
Install fireplace	50	22	18
Built shelves	42	53	5

Who influenced what was bought?

	Male	*Female*	*Both*
Paint a room	25%	65%	9%
Wallpaper a room	7	86	5
Install carpeting	14	70	12
Install floor/ceiling tile	21	64	12
Install paneling	31	51	15
Install fireplace	45	34	18
Built shelves	53	39	2

Source: DIY Research Institute — *NHCN* chart

Numbers provided by the DIY Research Institute indicate that women play a predominant role in home fashions sales, and especially those that require color coordination.

When it comes to initiating projects, women play the largest role on all projects except those requiring some amount of strength. Women also strongly influence what is bought. Only when it comes to actually purchasing the product and installing it do the women's influences taper off, although they are still well represented in these categories.

HOME FASHION PROJECTS

Who made the purchase?

	Male	*Female*	*Both*	*Professional*
Paint a room	35%	37%	20%	5%
Wallpaper a room	10	66	20	1
Install carpeting	20	35	43	1
Install floor/ceiling tile	32	27	32	5
Install paneling	43	20	31	3
Install fireplace	56	12	21	7
Built shelving	61	16	24	1

Who completed the project?

	Male	*Female*	*Both*	*Professional*
Paint a room	36%	34%	13%	11%
Wallpaper a room	19	49	14	11
Install carpeting	24	5	7	29
Install floor/ceiling tile	43	12	17	29
Install paneling	51	6	20	13
Install fireplace	69	11	8	30
Built shelving	69	11	8	8

Source: DIY Research Institute — *NHCN* chart

Marketing aimed at women likely to yield strong sales

By an NHCN staff editor

LINCOLNTON, Ill. — Women in the household play a very strong role in initiating home improvement projects that are home fashions related, and are usually the ones who decide what gets purchased for the job and where. But a recent study shows that women are less involved in making the actual purchase of home fashions merchandise or, with the exception of wallpapering, completing the project.

Consequently, home centers that are setting up their stores in a way that appeals to female shoppers need to support that effort with strong advertising campaigns to attract these decision makers in the first place. And for many chains and independents, that will mean breaking out separate ads for these products, as opposed to lumping them together with other hardlines and lumber that is of less significance to this target audience.

These findings about who initiates and influences projects are part of a massive survey of consumer attitudes sponsored by the DIY Research Institute and conducted by NFO Research Inc. NFO did 10 separate mailings of questionnaires to a total of 50,000 households between May 15 and June 1, 1986. It had 33,020 responses, of which 10,884 were usable. Sample responses were then chosen to assemble the findings.

Who's making the choices?

The purpose of the study was to discover who in the household initiated the purchase of a product or the beginning of a project, who influenced what was bought and where, who actually made the purchase, and who completed the job. Twenty-two projects and 99 products were evaluated in the study using several demographic criteria. For purposes of this issue, *NHCN* has selected for examination those related to home fashions.

As can be gleaned from the above charts, women are more likely to dominate the decision making in products and projects when the selection of color is involved. However, that influence emerges more into an equal partnership when it comes time to buy the products and that partnership is sustained in the actual performance of the project unless a measure of strength is required (such as installing carpeting), at which point the male dominates or the job is handled by a professional.

Shifts in influence as job changes

However, the demographic profile of the respondents to the study obviously had some impact on how these findings came out.

Interestingly, in the "painting a room" category, the percentage of respondents is spread out quite evenly among three basic age groups: 18-34, 35-54 and 55-plus. One-fifth in this category live in the East North Central states, and an approximately equal portion live in the Middle Atlantic region.

About two-thirds of those who painted a room reside in markets with under 2 million population. Nearly two in every five households in this group have incomes between $25,000 and $50,000. And a surprising one-fifth rent where they live.

Nearly 70 percent of this group are married and about 40 percent have some college education.

Compare these data with the category tracking the installation of floor or ceiling tile. More than two-fifths are between 35 and 54 years old and live either in the Middle Atlantic or South Atlantic states in markets with more than 2 million in population. (About one-quarter doing this installation also live in rural markets.)

Nearly 50 percent of the households putting in floor or ceiling tile have incomes between $25,000 and $50,000, and more than eight in 10 own the home they live in. Three-quarters are married, but nearly half have no college education.

HOME FASHION PROJECTS
U.S. Households Completing A Job:

Project	Percent
Paint a room	36.7%
Wallpaper a room	18.3
Install carpeting	14.6
Install floor/ ceiling tile	11.0
Paneling	6.6
Install fireplace	1.2
Built shelving	19.4

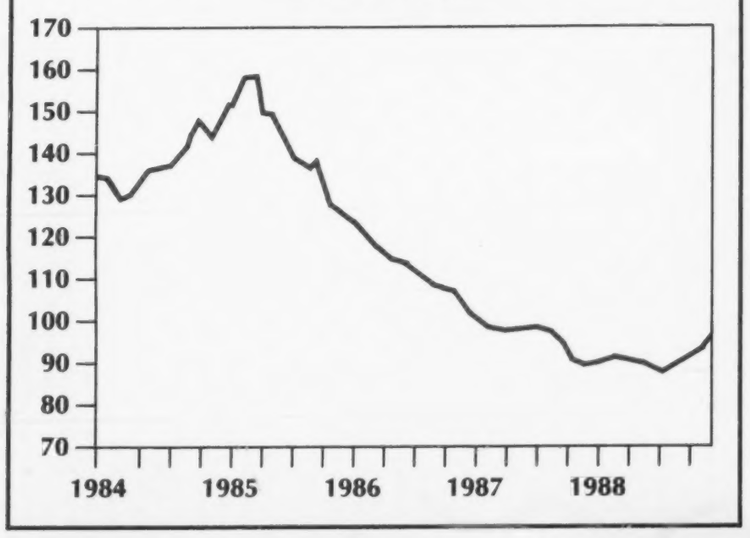
Source: DIY Research Institute — *NHCN* chart

Research indicates that a fairly large percentage of U.S. households did jobs that require color coordination.

Business Watch

Section 4

Capital spending stays strong because of lower dollar . . .



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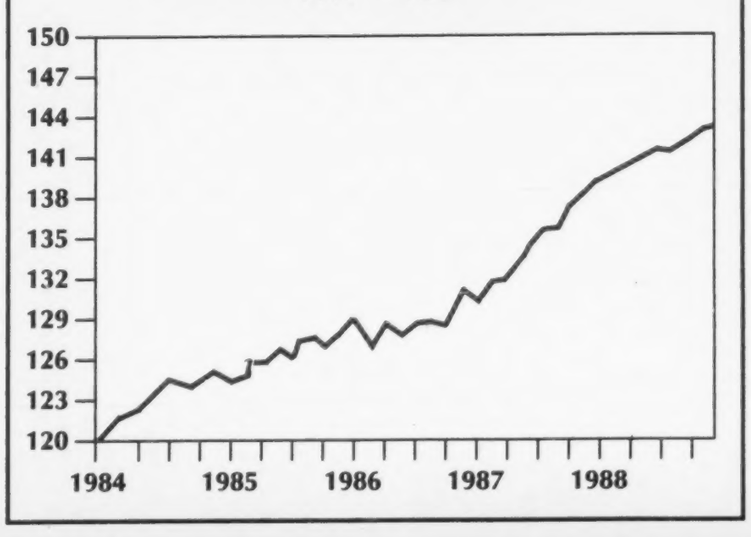

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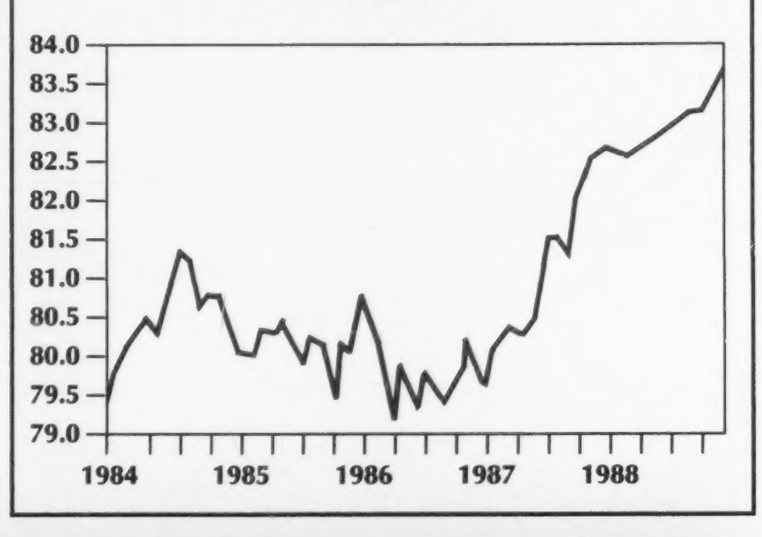


Building material sales for 1989 hang on capital spending

By Richard E. Mount
Special to NHCN

Prospects for both building material sales and the overall economy for 1989 hang on the threads of continued gains in capital spending.

While we continue to expect a 7.9 percent rise in retail building materials sales in 1988, a slower gain of 6.1 percent is likely for 1989. Adjusting next year's increase for inflation, the rise is likely to be about 1.2 percent.

Business managers continue to question the ability of the economy to sustain its current expansion in light of its 70 month age, especially when the typical expansion is 36 months. The current expansion should not be viewed as old, however, but merely entering a new stage of recovery sparked by capital spending.

Richard E. Mount

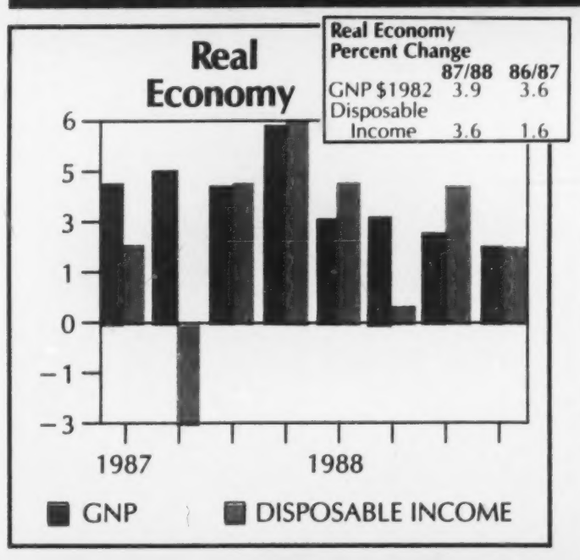
The economy is shifting from a consumer led expansion to one of capital spending, and fundamentals for capital spending in 1989 remain increasingly favorable. Manufacturers' operating rates are currently 83.8 percent, up from 79.6 percent at the beginning of 1987. Historically, when rates exceed 81 percent, capital spending accelerates.

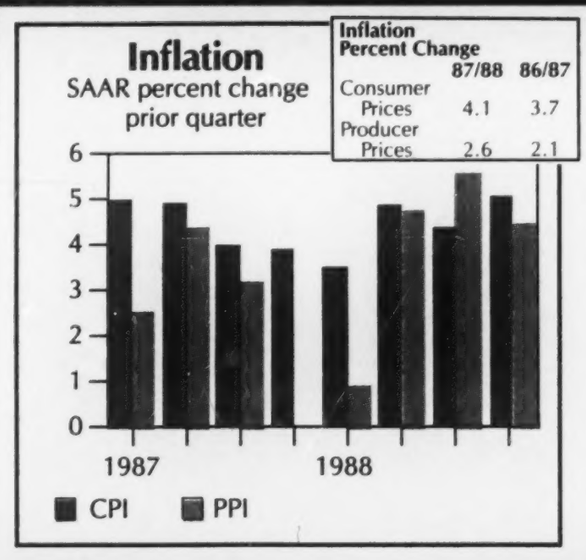
The recent boost in capital spending was initiated by the 44 percent drop in the value of the dollar from its March 1985 high. While it has recovered 8.5 percent since April of this year, it still keeps U.S. manufacturers competitive in world markets. It took almost 21 months for the drop in the dollar to make a meaningful impact on real exports, and the recent uptick should take as long, if not longer, before growth in exports slows from the somewhat higher dollar.

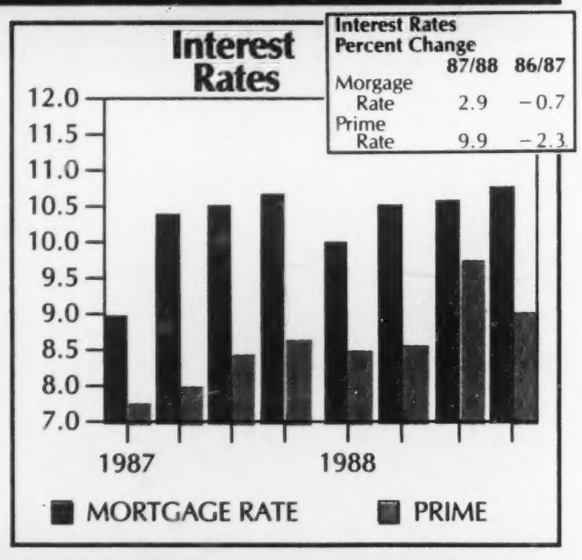
For building material retailers, the continued rise in capital spending will sustain the economy in 1989, keeping consumer incomes and retail sales strong. Sales gains in 1989 will not be as strong as in 1988 because of declines in housing starts and resales. But no recession is in sight.

Richard Mount is president and chief economist with Mount Economic Consulting.

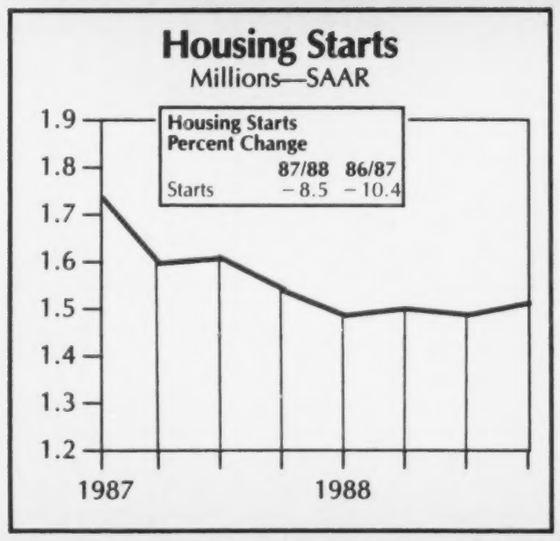
General Business Conditions

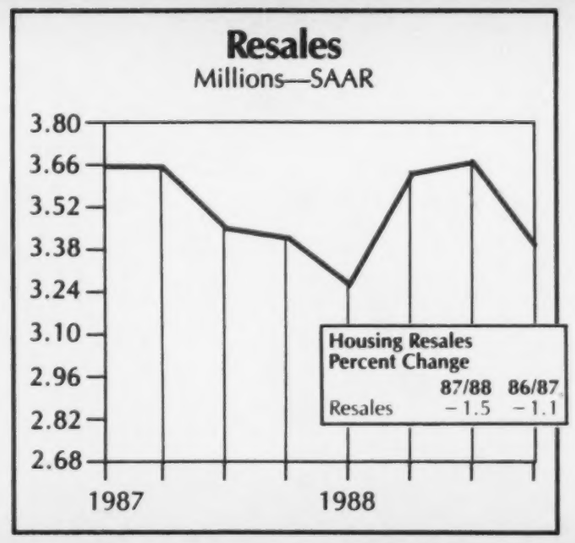


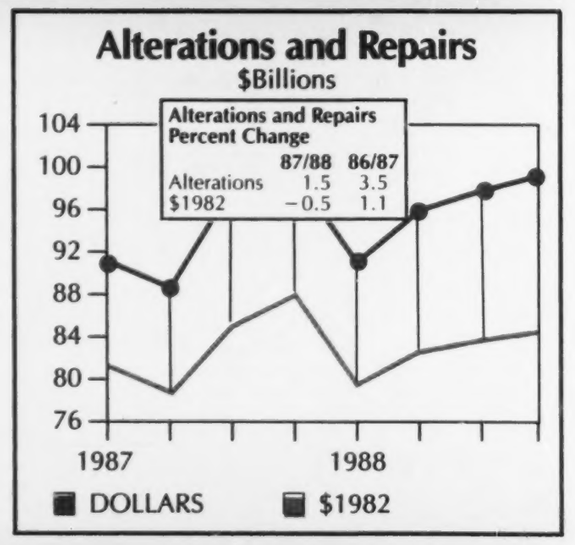




Housing







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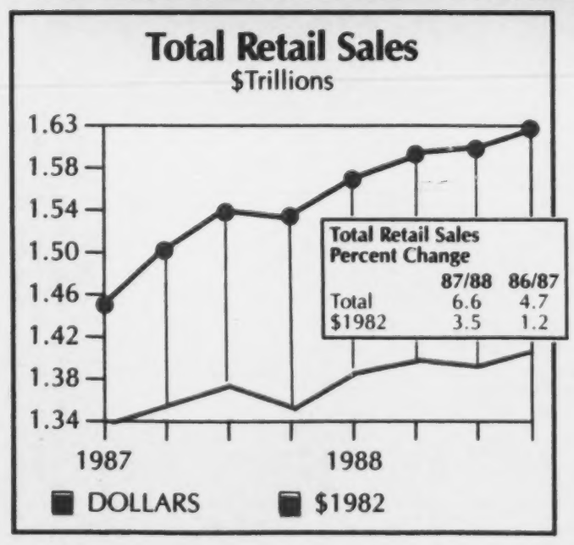

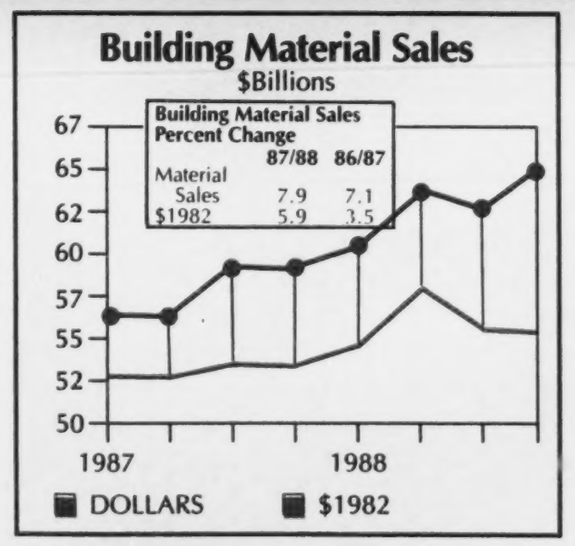

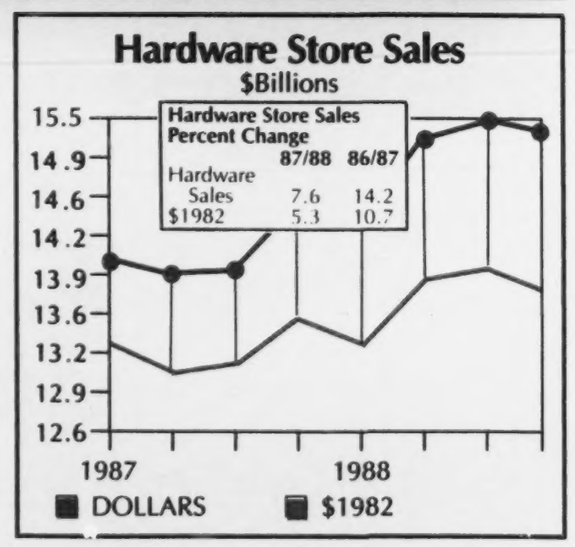

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Dire predictions proven false in aftermath of crash

(Continued from page 1)

"Consumer confidence [in the economy] is even higher now than before the Crash," added Richard Curtin, the director of consumer surveys for the Consumer Confidence Study at the University of Michigan in Ann Arbor, Mich.

"Most consumers realized this was a problem of Wall Street not Main Street."

Consumer confidence back

Chuck Davis, the president of the 52-unit Rickel Home Centers in South Plainfield, N.J., saw more optimism among customers, if the demand for credit provides any indication.

He said the average ticket has increased for purchases that are charged.

Georgia-Pacific has focused its marketing efforts on repair and remodeling since the Crash, and its sales in this sector are "stronger than ever," according to Richard Good, director of corporate communications and investor relations for the Atlanta-based building products supplier.

And if any customers felt pessimistic enough to postpone purchases, that pent-up demand is now finding release, noted Tom Thornton, president and ceo of Mr. Goodbuys, the 17-unit chain based in Philadelphia.

"We see people spending because they curtailed spending for a long time in major ticket items such as kitchen and bath," Thornton said.

A quick survey of dealers around the country finds that some areas were hit harder than others as a result of the Stock Market Crash. For example, A. C. Houston Lumber Co., based in Wichita, Kan., experienced a three-month sales slowdown after last October, according to its vp Robert Houston.

"The shock just hit everybody everywhere," Houston said, adding that growth will prove strong for the year.

Conversely, in Florida, "I don't think it impacted us one way or another," said Dan Tibbets, vp for Cox Lumber Co., the 13-store chain headquartered in St. Petersburg.

Keith Hendee, director of corporate communications for Causeway Lumber, a three-store company in Fort Lauderdale, agreed with Tibbets.

"Our business is about the same as last year," Hendee said. "Traditionally, Florida doesn't follow the rest of the nation."

At Great Plains Supply, a 32-unit chain with home offices in St. Paul, Minn., sales are increasing this year because of the farm economy's ability to resist the effects of last summer's drought, not because of rebounding stock prices, said Jeffrey Lehmann, vp and general manager.

LBOs surge

Observers said the Crash led some chains to initiate leveraged buyouts to guard against takeovers when stock prices were low, and took on massive debt and interest expense. Payless Cashways and Pay 'N Pak are two of the more noteworthy examples.

"The LBOs that have taken place in our industry have certainly weakened the balance sheet of those companies involved," said Robert Anderson, executive vp for the publicly held, 44-unit Wolohan Lumber based in Saginaw, Mich. "But I don't think it has changed the attractiveness of investments for those remaining public companies."

Suppliers said they sometimes feel skeptical about leveraged companies.

"As long as the motives for restructuring a company are to strengthen and build, *not* just to stay independent, I am not concerned," said Jeffrey Silverman, chairman and president of Ply-Gem Industries, New York. "However, if the result is a debt-ridden, fiscally unsound entity, then it becomes a factor in calculating credit risk."

The trend toward "going private" by taking control of huge chunks of stock has not grown strong enough to threaten the Wall Street prestige of the remaining public companies, analysts said.

Shouldn't affect growth

"If you don't have decent, large [public] companies out there, interest on the Street will decline," said Robert Curran, an analyst with Merrill Lynch. "The less exposure you get, the less interest you'll generate. We're not there yet, but it could happen."

Retailers said that neither the Crash nor the LBOs will affect the way home center chains finance expansion.

"[Financing] depends on the situation and the economy in the short-term," said Home Depot's Brill, whose earnings have exploded this year, and which still has substantial cash reserves to draw upon for store growth.

"There's more money available out there now than we can use," said Cox Lumber's Tibbets, who nevertheless conceded that financial institutions are "getting tougher" on higher risk borrowers.

Ply-Gem's Silverman said the prospect for acquistions are even more attractive because stock prices are lower now than prior to Oct. 19, 1987. Anderson agreed.

"While we have not made as many acquisitions as we had planned this year," said the Wolohan exec, "it had nothing to do with the stock market Crash. We are still sitting on $20 million in cash. We have purchased three stores this year, but we have the capacity and the interest in completing several more acquisitions."

Rickel opens its newest store in the Bronx

(Continued from page 1)

"It's like a candy store for them."

"At first they didn't know what we were," recalled store manager Frank Parise. "They didn't understand the concept of a home center prior to us being here."

One of those enthusiastic customers, auto mechanic Robert Stephenson, lives in Throgs Neck, 10 minutes from the store by car.

"I would say it's the first one of its kind in The Bronx," Stephenson said. "Prices are noticeably cheaper. Look at this wheelbarrow I just picked up. I priced it at $44.95 at the mom and pop, and here it was $24.95 on sale."

"This area needs a place like this," said Lou Carlo, a resident of nearby Castle Hill and manager of the store's lumber department.

"[Husbands] come here to buy lumber and the wife hits everything else. On the weekend, they don't come without the wife."

James Schillaci, a retired bus driver, called the store "spacious," but said he was most impressed with the employees.

"The help is more than congenial," Schillaci said. "They give you a hand. I hope it lasts."

Nellie Mazzarelli, a Domino's Pizza cashier, praised the store, saying, "The selection is just great."

Business was booming in the middle of the afternoon a week after the store opened in early October, with the grand opening still more than two weeks away. Up to 50 job applicants were arriving daily.

The first weekend, the store's main aisle became a community center, Parise said, where people greeted their neighbors.

"It's mostly word of mouth," said store manager Parise, a nine-year Rickel veteran, as the store had yet to publish circulars.

To maintain the initial heavy traffic, the chain has matched the merchandise assortment to the clientele through surveys and through visits to a Co-op City model apartment.

In The Bronx, Rickel has doubled the space devoted to security devices in the chain's prototype store, Parise said.

"Burglar bars, for example, are [given] four linear feet in other stores and eight feet here," he said.

Indoor chemicals were expanded at the expense of outdoor chemicals. Housewares got expanded facings and the store retains the chain's large leased domestics departments.

Categories that warrant less than the usual space include lawn and garden, fencing and landscape timbers, Davis said.

The 10,000-square-foot outdoor yard is really indoors, fully enclosed for security.

Parise noted that the store retains a full millwork display. The store also offers all lumber products available at other Rickel stores, but allots half the facings.

Paint is stocked on steel racking to minimize thr floor space used.

Because of the older population this store serves, it offers a 10 percent senior citizen discount Monday through Friday, rather than follow the Wednesday-only discount policy typical of Rickel stores, Parise said.

John's Lumber sends workers cruising

(Continued from page 1)

worked a minimum of 30 hours a week through October. Earlier this month, sales broke the $10 million mark—with year-end projections to beat the '87 record—and Aggeler made the travel reservations.

"When you think of sales you usually think of sales people. Yet it's the phone operators who take the calls, the yard guys who fill the orders and the cashiers who treat the customers courteously" that keeps the sales coming, explained Denise Bidigare, ad manager for John's. The company is based in the Detroit suburb of Mt. Clemens, Mich.

Aggeler, 39, originally considered an incentive travel plan for the top 10 sales people. But he changed his mind.

"When a team goes to the World Series, they don't just take the best pitchers or hitters. They take the doctor and the shoe shine boy, too.

"These have been great growth years. Yet we needed to thank people who stuck it out [with John's] in the 1981 and 1982 years when business was flat," he said. He decided to include all employees in the sales drive. Employee turnover is low at John's; the least senior person there has two years of service.

The teamwork incentive bonus has a long history at John's. For the last 10 years, contractors, who make up 50 percent of the business, took incentive trips. The pros committed to a specific trip and John's credited one percent of their purchases for the trip. Contractors who paid balances on time earned extra bonuses.

Gross profits pays the cost of the trip, Aggeler said. A Chicago incentive travel specialist estimated the cost at $140,000.

Wickes management cancels takeover

(Continued from page 3)

guys," referring to Sigoloff's handpicked board members.

Moreover, the *Wall Street Journal* on Oct. 17 quoted an unidentified outside director as saying the $12-a-share buyout cancellation raises "a valid question . . . about Sandy and his management of the company."

As originally unveiled, Sigoloff and other members of Wickes management planned to take the $3.8 billion company private with the help of their investment banker, Drexel Burnham Lambert.

Drexel was to own between 20-and-30 percent of the new Wickes. The investment banker also would privately place 45-to-50 percent of the stock with institutional investors, with management taking a minority stake.

But in an unusual move, Sigoloff said he would wait 60 days to allow rival bids to surface to give shareholders maximum value. Michael Tennenbaum of the Los Angeles office of Bear Stearns & Co. was hired to solicit rival bids.

Buried in debt

On Oct. 7, Wickes said it had received inquiries from 100 parties but no one "has made an offer nor engaged in negotiations" with Bear Stearns.

Observers said the proposed management buyout was complicated by tax and legal ramifications. Suitors may have had second thoughts about the prospect of running a company with debt over $2 billion.

Other problems facing any acquiring company would be the requirement that Sigoloff and other officers receive $17.7 million in severance payments and Drexel Burnham receive a $20 million fee.

East Coast Lumber founder leaves

(Continued from page 2)

East Coast, which had sales of $58 million in 1987, projects a drop of nearly 14 percent by year-end, to $50 million, according to Lowe.

The changes at East Coast Lumber began this spring when the company sold off its Dixfield saw and planing mill and closed the drying kiln at its Portland, Maine, yard. The 3,500-square-feet was converted into a new kitchen, bath and millwork showroom.

This area, together with a remodeled hardware section, has boosted sales, and Portland had its first $1 million month this August. But year-end projections are down to $10 million from previous estimates of $12 million.

East Coast has also embarked on a $50,000 renovation of its Ossipee store in central New Hampshire, where it is adding a 2,500-square-foot kitchen and bath showroom. It also became a stocking dealer for Andersen windows. This opened Oct. 29.

At its main East Hampstead yard, the company has downsized the work force by about 10 percent, according to Lowe. It has incorporated the sales and shipping employees of its wallboard business into its main contractor business.

In August it disbanded International Building Supplies, its import/export business founded in 1986.

Soon Argus Holdings will be synonymous with East Coast Lumber, as it has signed a purchase and sale agreement for its West Enfield saw mill in Maine, the only other remaining Argus business.

Home centers deck their halls with trim-a-tree items

(Continued from page 3)
removing them to make room for the holiday items.

Mr. Goodbuys, the 17-store home center chain based in Philadelphia, is going with "proven winners" in this category, according to merchandise manager Bob Tablinsky.

About 1,500 square feet in each Mr. Goodbuys will be devoted to trim-a-tree this season, Tablinsky said. Each display will show 13 fully decorated trees (some retailing for $200, according to lawn and garden buyer Rick Beeson), and several "upscale" items such as 15 skus of illuminated, plastic outdoor figures and 12 skus of fully costumed, 26-inch high Santas, reindeers and other holiday fare.

Busy Beaver in Pittsburgh will use 24 feet of counter space for similar items, in addition to space for nine professionally decorated artificial trees, according to Jim Desiderio, seasonal buyer at the 14-unit company.

People this year will look for simple items, such as a single electric candle with a brass base to place in windows at home, he said.

In addition, there appears to be a trend toward clear white lights, which "every year become more popular," Desiderio added.

'Gift' items

Several chains like Busy Beaver aren't heavily involved with gift packages. That is in stark contrast, though, to what Star Lumber is doing in its three stores in Wichita, Kan.

Christmas trees decorated with hand tools and other gift items will be placed in high-traffic aisles in early to mid-November to give customers gift ideas, said Mark Brozek, field merchandiser at Star.

Last year, employees from Star's three stores were involved in a store decorating contest, but Brozek did not know if that would be repeated again this year.

Also, while Mr. Goodbuys makes a concerted effort to advertise and bring customers in, especially to buy trim-a-tree items, Lloyd Home Centers, based in Danbury, Conn., offers these items more as a convenience for customers shopping for other things. "Lloyds doesn't emphasize Christmas like other home centers and discount stores," said Jeff Gross, seasonal buyer at Lloyd's 34 stores.

And yes, there is Christmas in Florida. Scotty's, the Winter Haven, Fla.-based chain with 156 units, almost all of which are in the Sunshine State, has "very minimal" plans for the Christmas season, said Jack Stover, director of visual merchandising. Banners hanging from the ceilings will be about the only indication Christmas is on the way.

Are vinyl pleated blinds the 'next big thing'?

(Continued from page 1)
So far, the message has not even reached many home center window treatment buyers, according to an informal survey by *NHCN*.

So, the daunting task of building awareness is inspiring caution, even among boosters of vinyl pleated shades.

"Once consumer awareness builds, they should do quite well," said Jim Scoledes, national sales manager for Jencraft, the Totowa, N.J.-based supplier that now offers vinyl pleated shades. "The jury's still out as to whether the consumer is ready for them."

Gary Lipkin, national sales manager for Ralph Friedland & Bros. of Keyport, N.J., whose company has introduced vinyl pleated shades that retail for $12.99 for 36 inches by 64 inches, said he expects "a little hesitation from the consumer at first."

At Clopay, the Cincinnati-based supplier, management has timed the company's debut of vinyl pleated shades to an expected expansion of the market for the product by the end of next year, said product manager Bill Pohl, product manager.

"I think it's pretty early," Pohl said of the new product. "I don't know if it will get there for a while. Vinyl mini-blind sales doubled in a few years and consumers are looking for something new. There's a trend toward a softer look. But, heck, it could be 1990."

Lewis Hyman Inc., a Carson, Calif., importer, is also biding time until the market develops, said Mark Dorn, a regional sales manager.

"We haven't gotten into it, but we're looking at it closely because it should be the next big thing," Dorn said. "Once it takes off, we'll get into it."

Not surprisingly, people at companies supplying custom programs were most skeptical of the pleated product.

Paul Anderson, marketing coordinator for Nanik, the Wausau, Wis.-based supplier, said his company would not enter the fray, though he noted that "I can see where they might have stock potential."

"People don't understand them and walk right by them," said Jim Ford, marketing vp for Sturgis, Mich.-based Kirsch. "It's just not a product that people are aware of at the self-service level."

"The vinyl pleated shades we have seen, heretofore, we will not sell," added Steve Thomas, vp-merchandising and product development at Newell Window Furnishings, of Freeport, Ill.

Thomas traced his bad feelings about inexpensive pleated shades to three years ago, when suppliers from the Orient brought in pleated shades made of paper, a product that failed miserably by most accounts.

Now, however, pleated shades are apparently approaching the point in the product cycle that brings merchandise to the mass market, said Clopay's Pohl.

He noted that fashion usually begins with designers who choose custom products for residential customers, then moves into the contract market with appearances in offices and public buildings, followed by a move to the department stores and, finally, into the mass market.

Suppliers said home center merchants compete effectively in the category, meeting the challenge of general merchandise stores.

So far, though, most industry buyers have yet to learn about vinyl pleated shades.

For example, Bob Cullen, domestics buyer for All American Home Center, the Downey, Calif., independent, said he was unfamiliar with the new product but seemed interested when he heard about it from *NHCN*.

"I would be willing to try it if the price point is right for us," Cullen said, despite earlier problems with a stock pleated shade that he said failed because of weak displays.

But Paul Blake, buyer for the 156-unit Scotty's in Winter Haven, Fla., best summed up dealer attitudes towards the product now. "It's a long way down the road."

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